

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Shakopee Public
Schools
ISD No. 720
Shakopee, MN

YEAR ENDED
JUNE 30, 2018

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952.496.5000

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
OF THE
SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 720
SHAKOPEE, MINNESOTA

For the Year Ended

June 30, 2018

Prepared by

THE FINANCE DEPARTMENT

Jeff Priess

Director of Finance and Operations

SHAKOPEE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 720
1200 Town Square
Shakopee, Minnesota 55379

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Independent School District No. 720
Board of Education and Administration
June 30, 2018

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Scott Swanson	Chairperson	December 31, 2018
Tony Pass	Vice Chairperson	December 31, 2018
Shawn Hallet	Clerk	December 31, 2018
Angela Tucker	Treasurer	December 31, 2020
Matt McKeand	Director	December 31, 2020
Reggie Bowerman	Director	December 31, 2020
Judith Tomczik	Director	December 31, 2018
<u>Administration</u>		
Gary Anger	Superintendent	
Jeff Priess	Director of Finance and Operations	
Julie Fred	Director of Special Services	
Bryan Drozd	Director of Instructional Technology	
Bob Greeley	Director of Community Education	
Keith Gray	Director of Human Resources	
Nancy Thul	Director of Teaching and Learning	
Dave Orlowsky	Data and Assessment Administrator	

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November 13, 2018

To: Citizens of District 720 Shakopee Public Schools
Board of Education
Employees of the School District

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 720, Shakopee, Minnesota (the District) for the fiscal year ended June 30, 2018 is presented for your information and review. The CAFR is intended to fully disclose the financial position of the District and the results of operations for the fiscal year. The District administration accepts full responsibility for the accuracy, completeness and fairness in presentation of the enclosed financial reports. Questions and comments are solicited and welcome.

REPORT FORMAT

This CAFR is presented in three main sections: introductory, financial, and statistical. In addition to information contained in this letter, the introductory section includes the District's organizational chart and a list of the District's principal officials. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to basic financial statements, and detailed combining and individual statements and schedules. The statistical section includes selected financial and general information presented on a multi-year comparative basis. Where possible, historical data is presented for a 10-year period.

Accounting principles generally accepted in the United States of America require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

DISTRICT PROFILE/ORGANIZATION

Shakopee Public Schools serves more than 8,200 students in Shakopee, Savage, Prior Lake, and the Jackson, Louisville, and Sand Creek Townships. Our district is located in one of the fastest growing suburbs in the Twin Cities. The Shakopee school district is proud to serve a very diverse population of students and families with more than 70 languages and dialects from around the world spoken in our schools.

DISTRICT PROFILE/ORGANIZATION (CONTINUED)

We offer programming and activities for all our students. At Shakopee High School, there are many opportunities for students to earn college credit and high school credit at the same time through our Advanced Placement courses; CAPS (Center for Advanced Professional Studies) program and CIS (College in the Schools). Shakopee High School leads the way in credits earned for College in the Schools courses. Other notable programs in our district include the pre-engineering program Project Lead the Way, Young Scholars which serves students in our elementary grades and our Excellence with Equity program.

The Shakopee School District is committed to providing the best opportunities for our students and is dedicated to helping them excel and achieve their educational goals. Four years ago, our district began to look at our current curriculum and has, together with our teachers, been re-imagining academics in our district. Our junior high model will be transformed into a middle school model and a new vision for Shakopee High School, the Academies of Shakopee, was created to ensure a welcoming, inclusive environment within a large high school setting and to improve student success in post-secondary programs and career. There will be six academies: Arts & Communication, Business & Entrepreneurship, Engineering & Manufacturing, Health Sciences, Human Services, Science & Technology and a Freshman Academy. Shakopee school district staff and leadership will be implementing these academies in the fall of 2018.

With over 1,100 total staff, Shakopee Public Schools is one of the major employers in the area. During 2017-2018, the District operated 12 buildings: one traditional high school, one alternative high school, two junior high schools, one sixth grade center, five elementary schools, an early childhood center and the district administrative office. The Shakopee Public School District has embarked on a \$102.5 million building project. The main element of the project is to increase the size of the current high school by over 300,000 square feet to accommodate 3,200 students in the next ten years. With planned grade realignment for the 2018-19 school year, the high school expansion provides more efficient use of school district facilities. District buildings have an average age of 27.23 years and comprise just under 1.4 million square feet in size. The District is currently organized by grade level with elementary schools serving students in kindergarten through grade 5, a 6th grade center, junior high schools serving grades 7-9, and the high school serving grades 10-12. The reconfiguration for the 2018-19 school year would remain the same at elementary schools, 6-8 middle schools and a 9-12 high school.

Mission

Shakopee Schools, in partnership with our community, will educate lifelong learners to succeed in a diverse world.

Vision

The Shakopee School District is committed to providing the best opportunities for our students. We are dedicated to helping them excel and achieve their educational goals and teaching them to be good citizens of our community, our nation and our world.

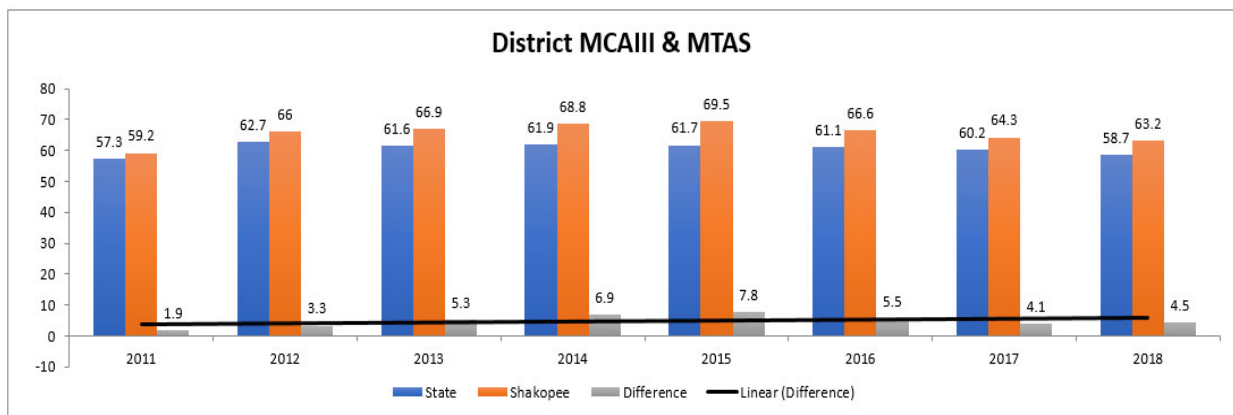
DISTRICT PROFILE/ORGANIZATION (CONTINUED)

Testing Data

The Minnesota Comprehensive Assessments (MCA's) are part of the state's school testing system and administered to students in the spring of each year. Students in grades 3-11 take assessments in Math, Reading and Science. The following graphs show the 8-year district trend for proficiency rates compared to the state of Minnesota in the areas of Reading and Math.

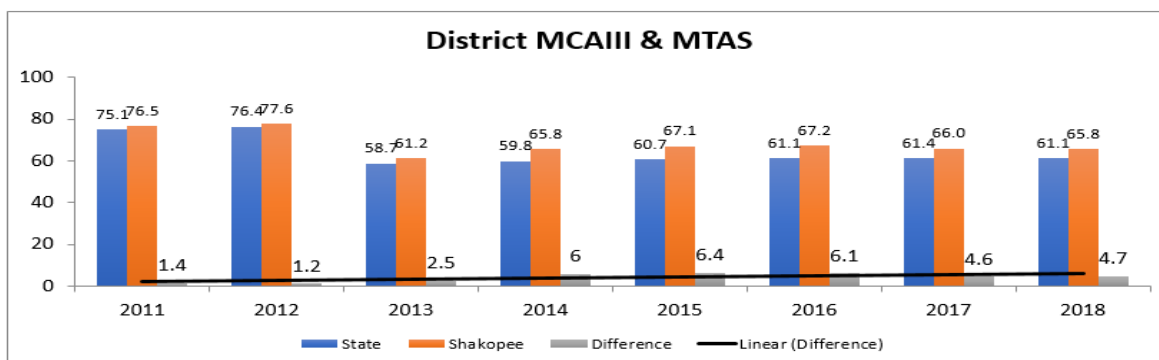
MCA Math – District 8-year trend vs state

District	2011	2012	2013	2014	2015	2016	2017	2018
State	57.3	62.7	61.6	61.9	61.7	61.1	60.2	58.7
Shakopee	59.2	66	66.9	68.8	69.5	66.6	64.3	63.2
Difference	1.9	3.3	5.3	6.9	7.8	5.5	4.1	4.5



MCA Reading – District 8-year trend vs state

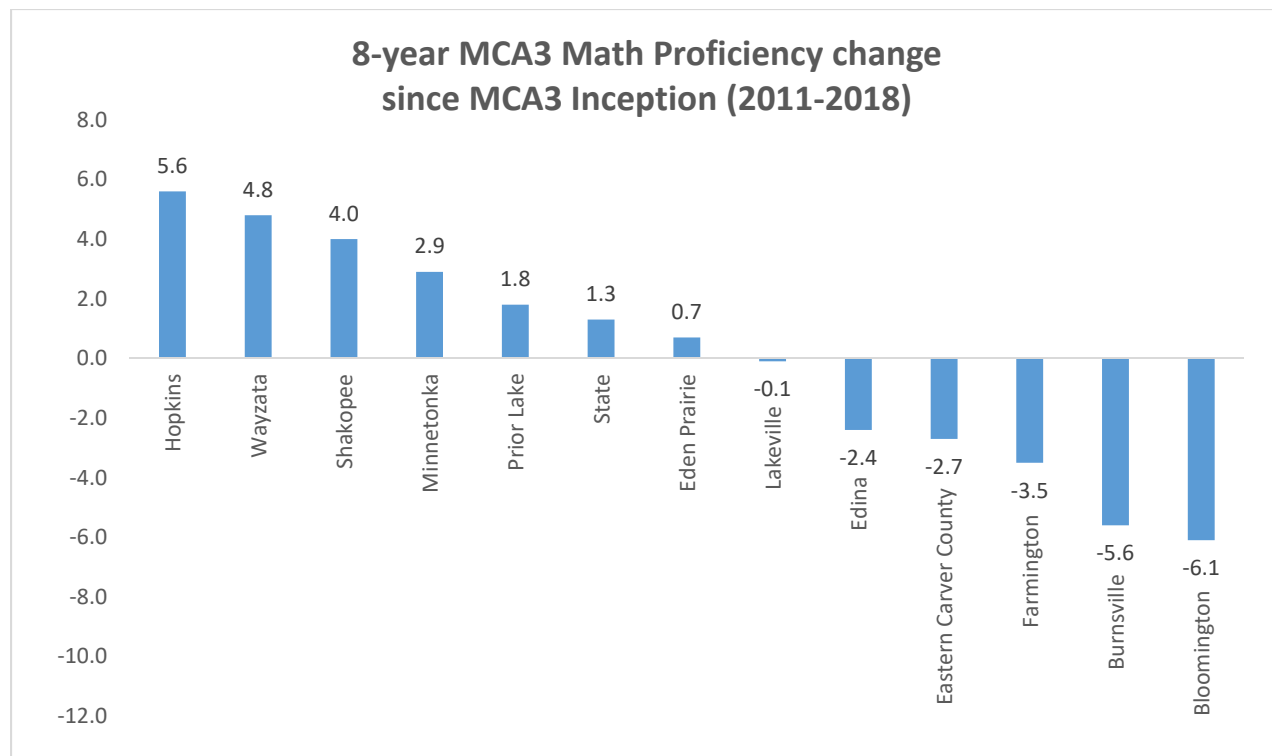
District	2011	2012	2013	2014	2015	2016	2017	2018
State	75.1	76.4	58.7	59.8	60.7	61.1	61.4	61.1
Shakopee	76.5	77.6	61.2	65.8	67.1	67.2	66.0	65.8
Difference	1.4	1.2	2.5	6	6.4	6.1	4.6	4.7



DISTRICT PROFILE/ORGANIZATION (CONTINUED)

Testing Data (Continued)

To further illustrate proficiency trend growth in Shakopee Public Schools, see the following chart. The chart shows the change in proficiency rates for Shakopee and neighboring districts since the inception of the MCAIII (3rd version of the tests) in both Math and Reading. Each of our schools and teachers are focused on student growth, and continuous improvement. Our increasing proficiency rates are an indication that our efforts are making a difference.



REPORTING ENTITY

Independent School District No. 720, also known as Shakopee Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board is responsible for policy and governance and fiscal control of Shakopee Public Schools. The Superintendent is appointed by the Board and is responsible for administrative control of the District. The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable. Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit included whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit or is fiscally depended upon by the potential component unit.

REPORTING ENTITY (CONTINUED)

Based on these criteria, there are no organizations considered to be component units of the District.

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2018, and the financial operations for the fiscal year then ended. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting System for Minnesota School Districts as well as the standards of the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. These records are audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of BerganKDV LTD performed the audit for the 2017-18 fiscal year. Their report is included in the financial section of this report. The auditor has given an unqualified opinion on the District's financial statements. An unmodified opinion means that, in the judgment of the auditor, the financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The independent audit of the financial statements of the District is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statute §6.65. These reports are available in a separate document.

ACCOUNTING AND BUDGETING

A major thrust of the District's accounting system is to provide adequate internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived, and that the evaluation of the cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

ACCOUNTING AND BUDGETING (CONTINUED)

Budgetary control is maintained through an annual budget adopted by the School Board for all funds as required by state statutes and School Board policy. The adopted budget serves as the authorizing document for all expenditures, although the School Board approves all checks issued on a monthly basis. The Superintendent and Director of Finance & Operations are authorized to make financial commitments within budgetary guidelines. Additional expenditure controls are maintained by the Business Office in accordance with state statutes, i.e., the District cannot incur a negative unassigned balance in the General Fund in excess of 2.5% of the preceding year's expenditures.

The District has established a system of internal controls that provide reasonable assurance that assets are safeguarded from misuse or losses. Encumbrances, or open purchase orders, are used as a budgetary control tool and are charged against line item budgets when issued. Specific expenditure, revenue and detail transaction reports are available online or in hard copy for individuals with budget responsibilities. The reports can be viewed and printed either in the Business Office or in the administrative office in each building or department. Ongoing budget monitoring by program managers helps to ensure budget integrity and provides an opportunity to detect material budget variances before the end of the fiscal year.

The budget is adopted by the School Board in the spring of each year for the following fiscal year beginning July 1. If needed, the budget is revised based upon enrollment changes, effects of negotiated employee contracts, or other new information impacting revenues or expenditures in the fall, winter and spring. The revised budget is presented to the School Board for approval. To accurately track and report financial activities with a focus on site-based accounting, approximately 15,000 active accounts have been defined in the District's chart of accounts.

SIGNIFICANT EVENTS

The District's finances are largely dependent on student enrollment; with the state basic general education formula allowance at \$6,188 per student for the 2017-18 school year. Shakopee has experienced increasing enrollment from FY09 to FY18. In that decade, over 1,800 students joined the district, an increase of almost 30%.

To accommodate increasing enrollment during this time period, Eagle Creek Elementary School and Shakopee Senior High school were opened in the fall of 2007. In the fall of 2011 Jackson Elementary was opened and the District's current grade configuration was established. With the continued growth in the secondary grades, the voters of Shakopee approved a bond referendum in the spring of 2015 to expand the high school among other projects. The expansion is scheduled to be completed in the fall of 2018 which will allow for the previously discussed grade reconfiguration.

FINANCIAL PROSPECTS FOR FUTURE YEARS

The voters supported the district and approved a Building Bond issue of \$102.5 million and a Capital Projects referenda of \$2.5 million in 2015. The Building Bond will be used to expand the high school to have student in grades 9-12 in the same building. We will also use the Building Bond to improve security and the outdoor facilities at multiple district sites. The Capital Projects money will be used to support the Shakopee School District's 1 to 1 computer initiative.

As the District continues with various academic program improvements, the District will need to access additional operating referendum authority. Currently, the District has Board approved referendum authority of \$300 per student, the lowest authority of its comparable districts. Shakopee Schools has been able to offer a robust set of academic and co-curricular activities because of the growth of the District. Increased operating referendum authority would need to be approved by the voters of the school district.

ECONOMIC FACTORS

The District is located in Scott County, which is part of the seven-county metro area of Minneapolis/St. Paul. Residents are typically employed in professional vocations within the metropolitan area.

The taxable market value of property within the District continues to bounce back from the economic downturn. Taxable market values increased by over \$1 billion from 2013 to 2018 due to new construction and valuation increases. The communities located within the District continue to develop areas for residential and commercial expansion and growth.

In recent years, the State of Minnesota's education funding has been very unpredictable. The Governor and Legislature enacted a number of measures to decrease spending to balance the state budget through fiscal year 2013. The impact to K-12 education included delaying State aid payments to school districts and a property tax shift. The state's forecast of revenues and expenditures projected a positive unrestricted general fund balance and were able to repay school districts the remaining portion of tax shift in fiscal year 2014. This repayment was not additional revenue but provided an improvement in the district's cash flow.

The fund balance of the General Fund has been healthy enough to withstand both the State aid payment delay and property tax shift; consequently, the District has not had to borrow money through the entirety of these payment delays and tax shifts, avoiding short-term interest and issuance costs.

The 2017 Legislative session increased K-12 funding in Minnesota for the biennium, including a 2.0% annual increase in the general education formula allowance.

INITIATIVES

In August 2014, the district prepared a strategic plan to improve our academic program and increase student achievement results. The district has been on a steady mission to align curriculum and learning experiences with the heightened expectations of a more global, interconnected, and tech-savvy world. The new strategic plan articulates expectations called deliverables for district officials and for schools to accomplish over the next three to five years. These deliverables are the district's benchmarks of progress and a means to assure all students are college and career ready.

Voters approved a bond and technology referendum in May of 2015 which includes:

- Expansion of our high school to accommodate 3,200 students in grades 9-12.
- Renovation or improvement of fields and stadiums
- 1:1 devices for all students in grades 3-12 and 2:1 devices for students K-2.
- Upgrade in security in a variety of buildings

The district has committed itself to our mission of college and career readiness for all students. In the Fall of 2018, we will open the Academies of Shakopee – our newly expanded high school will house six Career Academies. Ninth grade students will enter Freshman Academy surrounded by teams of teachers and staff to support their transition to high school. At registration time, they will choose a “home” career academy for their sophomore through senior year. These small learning communities will ensure they have a smooth transition to postsecondary and beyond.

Middle schools will be reconfigured to grades 6-8 and will truly fulfill the philosophy of middle schools to meet the unique needs of adolescent students. We have explored a more personalized learning approach with a team of teachers to allow students more flexibility, student driven and self-paced learning.

The technology referendum is fueling our efforts to ensure our students are ready for a global and interconnected world. The past three years we have placed devices into the hands of students at both the secondary and elementary levels.

All of this work requires a significant investment of time and resources for training our teachers to use a more personalized, student-driven, technology-rich learning environment. In addition, we are transforming our courses and curriculum to match the needs of our students. Our strategic plan will continue to require a time, talent and resources until we have fully implemented our changes over the next three to five years.

INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE

State statutes require an annual audit by independent certified public accountants. The accounting firm of BerganKDV LTD was selected by the School Board to conduct the annual audit.

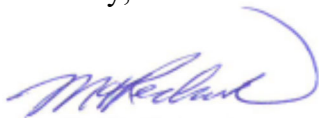
INDEPENDENT AUDIT AND CERTIFICATE OF EXCELLENCE (CONTINUED)

This report has been prepared following the guidelines provided by the Association of School Business Officials International (ASBO) for their Certificate of Excellence in Financial Reporting Program. In 2017, the District received recognition from this program by receiving the Certificate of Excellence. Continuing to achieve recognition by this program is a goal of the District's Business Office and provides a clear indication of the District's high standards for financial reporting. The District plans to submit the 2017-2018 CAFR to the ASBO Certificate Program for consideration.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a CAFR require the commitment and cooperation of many people. We acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this Comprehensive Annual Financial Report, as well as for their dedication and to the School Board for their encouragement and leadership.

Sincerely,



Dr. Mike Redmond
Superintendent



Jeff Priess
Director of Finance and Operations

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ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Shakopee Public School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2017.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



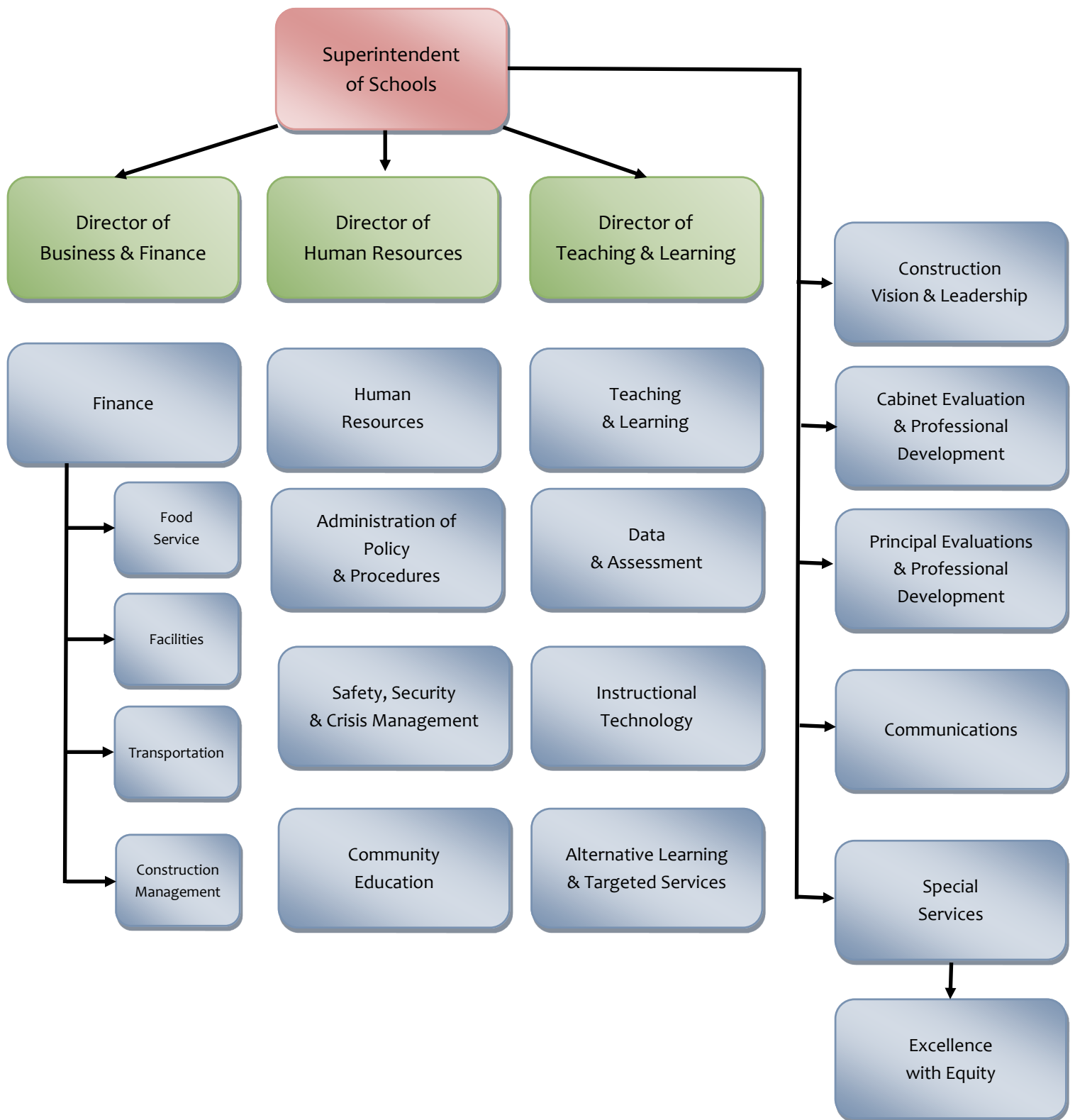
Charles E. Peterson, Jr., SFO, RSBA, MBA
President

John D. Musso, CAE
Executive Director

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2017-18 District Level Budget Reduction Options

Revised Org Chart



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Independent Auditor's Report

To the School Board
Independent School District No. 720
Shakopee, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 720, Shakopee, Minnesota, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory and Statistical sections of this report and the accompanying supplementary information identified in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information identified in the Table of Contents is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Matters (Continued)

Other Information (Continued)

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which such partial information was derived.

We also have previously audited the District's 2017 basic financial statements and our report, dated November 20, 2017, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in dark ink that reads 'BerganKDV Ltd.' followed by a period.

Minneapolis, Minnesota
November 13, 2018

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**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

This section of Independent School District No. 720's (the "District") annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the other components of the District's annual financial report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of the following parts:

- Independent Auditor's Report,
- Management's Discussion and Analysis,
- Basic financial statements, including the government-wide financial statements, fund financial statements, and notes to financial statements,
- Required supplementary information, and
- Combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

Government-Wide Statements

The government-wide statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue Fund and Community Service Special Revenue Fund) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

For Minnesota schools, funds are established in the Uniform Financial Accounting and Reporting System (UFARS) in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following two kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

**Table 1
Summary Statement of Net Position
As of June 30, 2018 and 2017**

	2018	2017
Assets and Deferred Outflows		
Current and other assets	\$ 68,637,011	\$ 127,538,633
Capital assets, net of depreciation	233,982,698	196,651,603
Total assets	302,619,709	324,190,236
Deferred outflows of resources	105,764,967	137,257,527
Total assets and deferred outflows of resources	<u>\$ 408,384,676</u>	<u>\$ 461,447,763</u>
Liabilities and Deferred Inflows		
Current and other liabilities	\$ 19,311,567	\$ 23,059,923
Long-term liabilities, including due within one year	390,763,234	454,404,429
Total liabilities	410,074,801	477,464,352
Deferred inflows of resources	65,649,052	34,340,178
Total liabilities and deferred inflows of resources	<u>\$ 475,723,853</u>	<u>\$ 511,804,530</u>
Net Position		
Net investment in capital assets	\$ 45,526,236	\$ 35,186,072
Restricted	1,970,243	-
Unrestricted	(114,835,656)	(85,542,839)
Total net position	<u>\$ (67,339,177)</u>	<u>\$ (50,356,767)</u>

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

The financial position of the District did not improve this year as measured by total net position. For the year ended June 30, 2018, total net position decreased by \$16,982,410 to \$(67,339,177), mostly due to pension expense. In 2015, implementation of GASB Statement No. 68 required recognition of the District's share of state-wide pension plans. Implementation of GASB Statement No. 74 and GASB Statement No. 75 in 2017 impacts net position by nearly \$9 million in the current year.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table 2 presents a summarized version of the District's Statement of Activities:

**Table 2
Summary Statement of Activities
For the Years Ended June 30, 2018 and 2017**

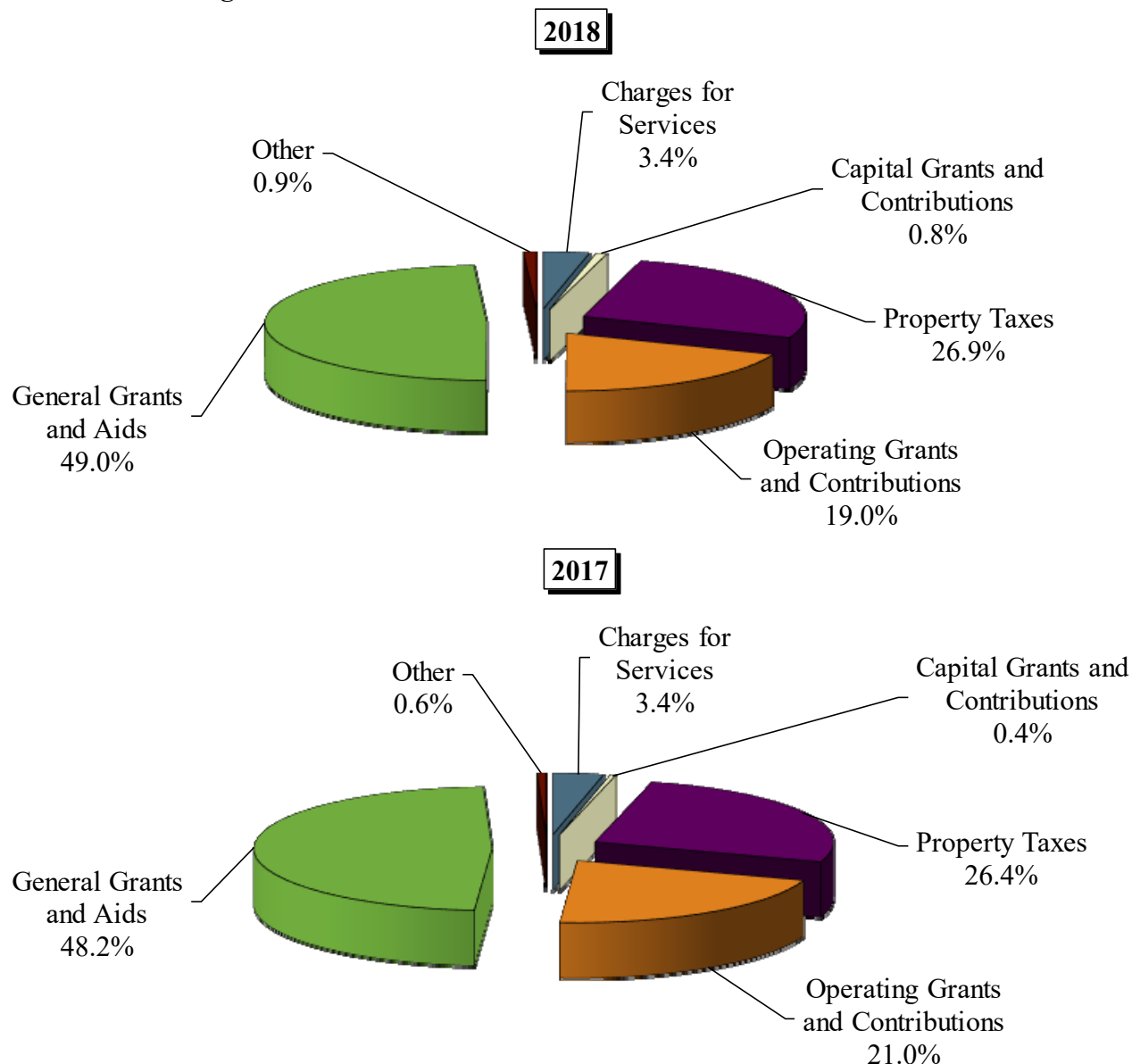
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 4,164,904	\$ 4,244,698
Operating grants and contributions	23,511,826	25,885,369
Capital grants and contributions	979,803	470,297
General revenues		
Property taxes	33,351,744	32,587,603
General grants and aids	60,765,061	59,536,734
Other	1,157,097	740,259
Total revenues	<u>123,930,435</u>	<u>123,464,960</u>
Expenses		
Administration	7,340,382	7,523,283
District support services	2,106,366	2,456,591
Elementary and secondary regular instruction	63,492,106	63,959,236
Vocational education instruction	945,260	1,286,927
Special education instruction	24,552,734	25,091,784
Instructional support services	9,547,642	10,762,588
Pupil support services	8,625,780	8,401,426
Sites and buildings	8,170,286	6,929,012
Fiscal and other fixed cost programs	199,020	191,091
Food service	4,480,777	4,724,099
Community service	3,303,658	3,286,539
Depreciation not allocated to other functions	1,589,799	1,265,819
Interest and fiscal charges	6,559,035	7,322,643
Total expenses	<u>140,912,845</u>	<u>143,201,038</u>
Change in net position	(16,982,410)	(19,736,078)
Net position - beginning, as restated	<u>(50,356,767)</u>	<u>(30,620,689)</u>
Net position - ending	<u>\$ (67,339,177)</u>	<u>\$ (50,356,767)</u>

The table summarizes all of the governmental activities of the District and is presented on the accrual basis of accounting. Revenues are allocated between those directly related to specific programs and those that are general revenues. Depreciation expense is included in expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A – Sources of Revenue for Fiscal Years 2018 and 2017



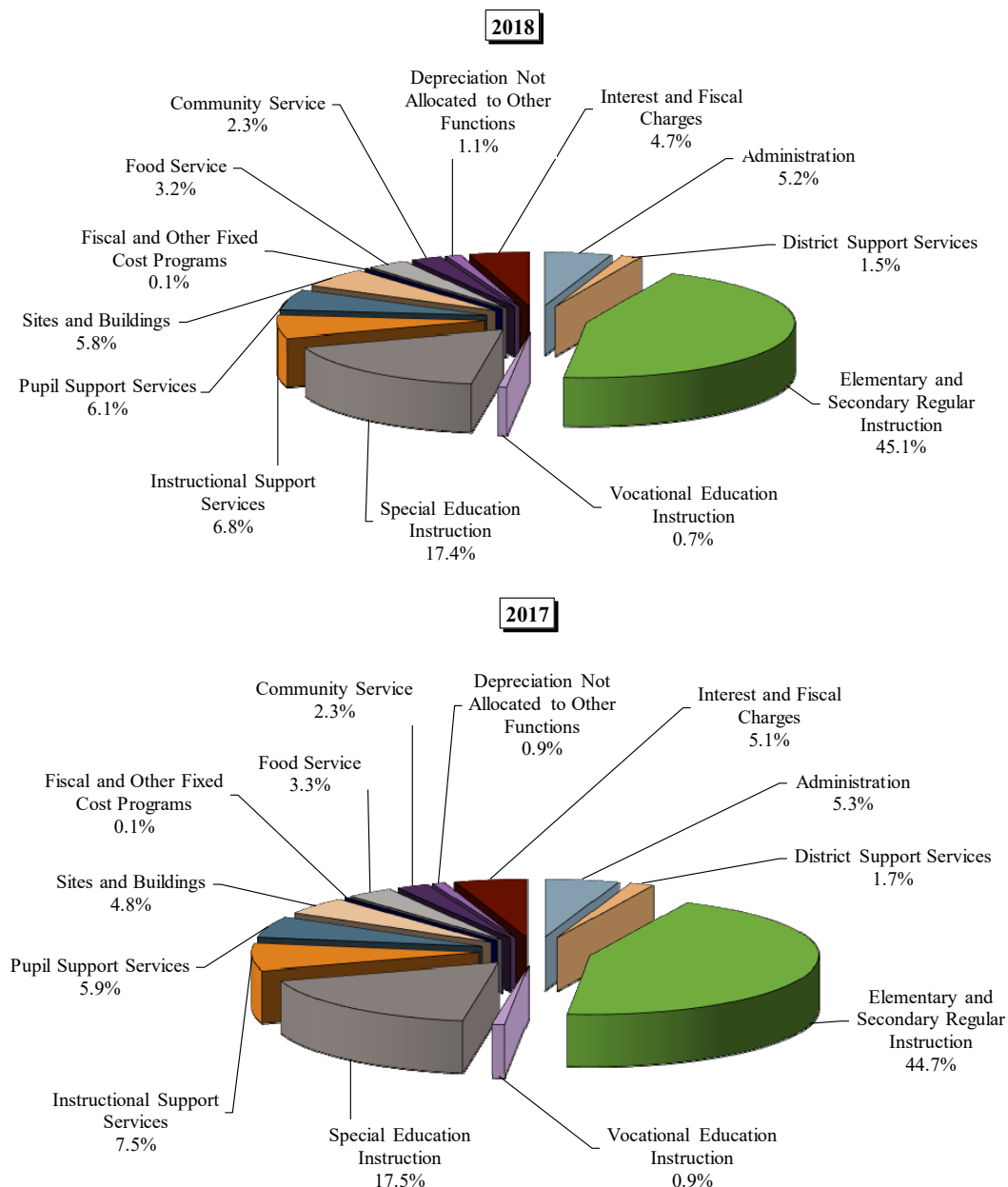
The largest share of the District's revenue is received from the state, including the General Education Aid formula and most of the operating grants. Consequently, the District's funding depends significantly on the state's financial fluctuations.

Property taxes are generally the next largest source of funding. The level of funding property tax sources provided is not only dependent on taxpayers of the District by way of operating and building referenda but also by decisions made by the State Legislature in the mix of state aid and local effort in a variety of funding formulas.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure B – Expenses for Fiscal Years 2018 and 2017



The District's expenses are predominately related to educating students. The majority of the District's expenses were in categories directly related to providing instruction, which includes: elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances in each of the District's governmental funds:

**Table 3
Governmental Fund Balances
As of June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Governmental Funds			
Major funds			
General	\$ 2,833,633	\$ 1,067,254	\$ 1,766,379
Capital projects – building			
Construction	11,214,101	53,366,000	(42,151,899)
Debt service	2,988,464	20,670,744	(17,682,280)
Nonmajor funds			
Special revenue funds			
Food service	674,555	652,122	22,433
Community service	278,285	190,267	88,018
	<u> </u>	<u> </u>	<u> </u>
Total governmental funds	<u>\$ 17,989,038</u>	<u>\$ 75,946,387</u>	<u>\$ (57,957,349)</u>

ANALYSIS OF THE GENERAL FUND

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as updated enrollment estimates, legislation changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes or utility rate changes. During the year, the District reviewed operating results and amended the original budget. The revised budget provided for an operating surplus of \$36,042.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

ANALYSIS OF THE GENERAL FUND (CONTINUED)

Table 4 summarizes the operating results of the General Fund:

**Table 4
General Fund Operating Results**

	2018 Actual	Over (Under) Final Budget		Over (Under) Prior Year	
		Amount	Percent	Amount	Percent
Revenue and other financing sources	\$ 95,999,827	\$ 3,145	0.0%	\$ 220,502	0.2%
Expenditures	94,233,448	(1,727,192)	(1.8%)	(2,999,628)	3.1%
Net change in fund balances	<u>\$ 1,766,379</u>				

Actual expenditures were under budget largely due to a staffing contingency budget of \$600,000 that was not utilized. Expenditures were also under budget in the area of purchased services by almost \$500,000 and a planned capital lease of \$1,000,000 was actually just over \$400,000.

The growth in revenues over the prior year can be attributed to the District serving more students in fiscal year 2018 and an increase to the General Education formula by the State of Minnesota.

ANALYSIS OF REMAINING MAJOR FUNDS

The District's activity in the Capital Projects – Building Construction Fund is related to projects financed with general obligation (G.O.) building bonds to meet the needs of the District's growing student population. Voters approved a \$102.5 million building project in the spring of 2015. The money for the project was received in fiscal year 2016. A majority of the money was spent in fiscal years 2017 and 2018. The main component of the project is to increase the size of the current high school by over 300,000 square feet to eventually accommodate 3,200 students. The District also used the Capital Projects fund to improve security at several locations and to make improvements at some outdoor facilities.

Activity of the Debt Service Fund is largely controlled in accordance with each outstanding debt issue's amortization plan. The Debt Service Fund has approximately \$2.9 million of year-end fund balance to help finance future debt obligations.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 5 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2018 and 2017:

**Table 5
Capital Assets**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Land	\$ 14,627,269	\$ 14,831,269	(204,000)
Construction in progress	88,992,061	54,375,319	34,616,742
Capital assets, net of accumulated depreciation:			
Site improvements	9,566,109	2,877,005	6,689,104
Buildings	112,897,804	114,974,076	(2,076,272)
Furniture and equipment	<u>7,899,455</u>	<u>9,593,934</u>	<u>(1,694,479)</u>
Total	<u>\$ 233,982,698</u>	<u>\$ 196,651,603</u>	<u>\$ 37,331,095</u>
Accumulated depreciation	<u>\$ (74,975,248)</u>	<u>\$ (70,081,210)</u>	<u>\$ (4,894,038)</u>
Depreciation expense	<u>\$ 6,904,270</u>	<u>\$ 6,196,982</u>	<u>\$ 707,288</u>

Capital assets are increasing to meet the needs of the District's anticipated continued growth.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

CAPITAL ASSETS AND LONG-TERM LIABILITIES (CONTINUED)

Long-Term Liabilities

Table 6 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

**Table 6
Outstanding Long-Term Liabilities**

	2018	2017	Increase (Decrease)
G.O. Bonds payable, net of premium	\$ 185,367,299	\$ 216,893,741	\$ (31,526,442)
Certificates of participation payable, net of premium	11,075,758	11,650,810	(575,052)
Capital leases	2,720,782	3,504,424	(783,642)
Compensated absences payable	311,493	291,410	20,083
Total	<u>\$ 199,475,332</u>	<u>\$ 232,340,385</u>	<u>\$ (32,865,053)</u>

There were no additional bonds in fiscal year 2018. Scheduled payments resulted in the decrease of the Bonds payable and Certificates of Participation payable. The District is leasing MacBooks and iPads from Apple as part of a district-wide technology initiative.

The state limits the amount of G.O. debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. (See Table 7.)

**Table 7
Limitations on Debt**

District's market value	\$ 4,857,543,700
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 728,631,555</u>

Additional details of the District's capital assets and long-term debt activity can be found in the Notes to the Financial Statements.

**Independent School District No. 720
Management's Discussion and Analysis
June 30, 2018**

FACTORS BEARING ON THE DISTRICT'S FUTURE

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the State of Minnesota for educational resources. The basic general education formula amount for all Minnesota school districts increased 2% to \$6,188 in 2018, the seventh increase since fiscal year 2009. An improving economy has reduced some of the challenges in funding education for Minnesota schools in recent years.

Shakopee Public Schools will need to continue to look at possible ways to increase other non-state revenue and continue to identify efficiencies to control expenses for fiscal year 2018-19 and beyond. The District utilizes a financial planning model that incorporates anticipated revenue and expenditure increases to more closely monitor the finances of the District on a long-range basis. The model is intended to show the total amount of reductions necessary for the District to adhere to its fund balance policy, while striving to maintain its commitment to academic excellence and educational opportunity for students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. More detailed information can be found in the other sections of this financial report. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 720, 1200 Shakopee Town Square, Shakopee, Minnesota 55379.

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BASIC FINANCIAL STATEMENTS

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Independent School District No. 720
Statement of Net Position
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	Governmental Activities	
	2018	2017
Assets		
Cash and investments	\$ 42,717,612	\$ 83,529,903
Cash with fiscal agent	-	17,570,927
Current property taxes receivable	17,471,653	16,264,753
Delinquent property taxes receivable	82,648	94,147
Accounts receivable	40,705	23,226
Interest receivable	51,981	159,695
Due from Department of Education	7,048,622	7,813,831
Due from Federal Government through Department of Education	853,319	1,079,367
Due from other Minnesota school districts	115,955	119,934
Due from other governmental units	-	175,745
Inventory	45,582	49,221
Prepaid items	208,934	657,884
Capital assets not being depreciated		
Land	14,627,269	14,831,269
Construction in progress	88,992,061	54,375,319
Capital assets, net of accumulated depreciation		
Site improvements	9,566,109	2,877,005
Buildings	112,897,804	114,974,076
Furniture and equipment	7,899,455	9,593,934
Total assets	<u>302,619,709</u>	<u>324,190,236</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	<u>105,764,967</u>	<u>137,257,527</u>
Total assets and deferred outflows of resources	<u><u>\$ 408,384,676</u></u>	<u><u>\$ 461,447,763</u></u>
Liabilities		
Accounts payable	\$ 2,259,509	\$ 1,788,878
Contracts payable	5,723,477	9,693,302
Salaries and benefits payable	7,506,959	7,225,160
Interest payable	3,161,608	3,681,614
Due to other Minnesota school districts	362,001	485,687
Due to other governmental units	27,766	22,644
Unearned revenue	270,247	162,638
Bonds payable, net		
Payable within one year	14,315,000	29,780,000
Payable after one year	171,052,299	187,113,741
Certificates of participation payable, net		
Payable within one year	590,000	565,000
Payable after one year	10,485,758	11,085,810
Capital lease payable		
Payable within one year	1,575,993	1,201,121
Payable after one year	1,144,789	2,303,303
Compensated absences payable		
Payable within one year	311,493	291,410
Net other post employment benefit (OPEB) liability	8,587,967	7,909,578
Net pension liability	182,699,935	214,154,466
Total liabilities	<u>410,074,801</u>	<u>477,464,352</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	34,969,346	31,822,722
Deferred amount on refunding	506,724	586,276
Deferred inflows of resources related to pensions	29,500,575	1,561,468
Deferred inflows of resources related to OPEB	672,407	369,712
Total deferred inflows of resources	<u>65,649,052</u>	<u>34,340,178</u>
Net Position		
Net investment in capital assets	45,526,236	35,186,072
Restricted	1,970,243	-
Unrestricted	<u>(114,835,656)</u>	<u>(85,542,839)</u>
Total net position	<u><u>(67,339,177)</u></u>	<u><u>(50,356,767)</u></u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 408,384,676</u></u>	<u><u>\$ 461,447,763</u></u>

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Independent School District No. 720
Statement of Activities
Year Ended June 30, 2018
(with Comparative Totals for the Year Ended June 30, 2017)

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expense) and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2018	2017
Governmental activities						
Administration	\$ 7,340,382	\$ 13,376	\$ 3,275	\$ -	\$ (7,323,731)	\$ (7,506,175)
District support services	2,106,366	25,579	982,370	-	(1,098,417)	(1,499,752)
Elementary and secondary regular instruction	63,492,106	528,522	7,401,710	-	(55,561,874)	(55,930,565)
Vocational education instruction	945,260	328	104,584	-	(840,348)	(1,197,502)
Special education instruction	24,552,734	3,361	11,279,988	-	(13,269,385)	(14,212,047)
Instructional support services	9,547,642	68	87,292	-	(9,460,282)	(10,438,357)
Pupil support services	8,625,780	228,447	223,026	-	(8,174,307)	(5,369,642)
Sites and buildings	8,170,286	61,245	82,260	973,947	(7,052,834)	(6,405,215)
Fiscal and other fixed cost programs	199,020	-	-	-	(199,020)	(191,091)
Food service	4,480,777	2,038,572	2,422,689	-	(19,516)	(184,167)
Community education and services	3,303,658	1,265,406	924,632	5,856	(1,107,764)	(1,077,699)
Unallocated depreciation	1,589,799	-	-	-	(1,589,799)	(1,265,819)
Interest and fiscal charges on long-term debt	6,559,035	-	-	-	(6,559,035)	(7,322,643)
Total governmental activities	<u>\$ 140,912,845</u>	<u>\$ 4,164,904</u>	<u>\$ 23,511,826</u>	<u>\$ 979,803</u>	(112,256,312)	(112,600,674)
General revenues						
Taxes						
Property taxes, levied for general purposes					13,953,937	13,310,119
Property taxes, levied for community service					580,326	542,360
Property taxes, levied for debt service					18,817,481	18,735,124
State aid-formula grants					60,765,061	59,536,734
Other general revenues					101,787	78,576
Investment income					750,641	657,661
Gain on sale of capital assets					304,669	4,022
Total general revenues					<u>95,273,902</u>	<u>92,864,596</u>
Change in net position					(16,982,410)	(19,736,078)
Net position - beginning, as previously stated					(50,356,767)	(24,286,443)
Change in accounting principle (Note 9)					-	(6,334,246)
Net position - beginning, as restated					<u>(50,356,767)</u>	<u>(30,620,689)</u>
Net position - ending					<u>\$ (67,339,177)</u>	<u>\$ (50,356,767)</u>

Independent School District No. 720
Balance Sheet - Governmental Funds
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	General	Debt Service	Capital Projects
Assets			
Cash and investments	\$ 10,164,728	\$ 13,462,867	\$ 17,016,420
Cash with fiscal agent	-	-	-
Current property taxes receivable	7,468,082	9,721,634	-
Delinquent property taxes receivable	34,288	46,922	-
Accounts receivable	33,293	-	-
Interest receivable	-	-	51,981
Due from Department of Education	6,813,476	145,167	-
Due from Federal Government through Department of Education	823,039	-	-
Due from other Minnesota school districts	115,955	-	-
Due from other governmental units	-	-	-
Inventory	-	-	-
Prepaid items	208,934	-	-
Total assets	<u>\$ 25,661,795</u>	<u>\$ 23,376,590</u>	<u>\$ 17,068,401</u>
Liabilities			
Accounts payable	\$ 889,791	\$ -	\$ 262,682
Contracts payable	131,859	-	5,591,618
Salaries and benefits payable	7,245,564	-	-
Due to other Minnesota school districts	362,001	-	-
Due to other governmental units	27,341	-	-
Unearned revenue	100,000	-	-
Total liabilities	<u>8,756,556</u>	<u>-</u>	<u>5,854,300</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	14,037,318	20,341,204	-
Unavailable revenue - delinquent property taxes	34,288	46,922	-
Total deferred inflows of resources	<u>14,071,606</u>	<u>20,388,126</u>	<u>-</u>
Fund Balances			
Nonspendable	208,934	-	-
Restricted	854,983	2,988,464	11,214,101
Assigned	185,388	-	-
Unassigned	1,584,328	-	-
Total fund balances	<u>2,833,633</u>	<u>2,988,464</u>	<u>11,214,101</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,661,795</u>	<u>\$ 23,376,590</u>	<u>\$ 17,068,401</u>

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 1,548,356	\$ 42,192,371	\$ 82,451,250
-	-	17,570,927
281,937	17,471,653	16,264,753
1,438	82,648	94,147
7,412	40,705	23,065
-	51,981	159,695
89,979	7,048,622	7,813,831
30,280	853,319	1,079,367
-	115,955	119,934
-	-	175,745
45,582	45,582	49,221
-	208,934	657,884
<u>\$ 2,004,984</u>	<u>\$ 68,111,770</u>	<u>\$ 126,459,819</u>
\$ 27,815	\$ 1,180,288	\$ 1,007,132
-	5,723,477	9,693,302
261,395	7,506,959	7,225,160
-	362,001	485,687
425	27,766	22,644
170,247	270,247	162,638
<u>459,882</u>	<u>15,070,738</u>	<u>18,596,563</u>
590,824	34,969,346	31,822,722
1,438	82,648	94,147
<u>592,262</u>	<u>35,051,994</u>	<u>31,916,869</u>
45,582	254,516	707,105
1,086,759	16,144,307	74,983,479
-	185,388	20,882
(179,501)	1,404,827	234,921
<u>952,840</u>	<u>17,989,038</u>	<u>75,946,387</u>
<u>\$ 2,004,984</u>	<u>\$ 68,111,770</u>	<u>\$ 126,459,819</u>

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Independent School District No. 720
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Total fund balances - governmental funds	\$ 17,989,038	\$ 75,946,387
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	308,957,946	266,732,813
Less accumulated depreciation	(74,975,248)	(70,081,210)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bond principal payable	(169,630,000)	(199,410,000)
Certificates of participation payable	(10,930,000)	(11,495,000)
Premium on bonds and certificates of participation payable	(15,883,057)	(17,639,551)
Deferred amount on refunding	(506,724)	(586,276)
Capital lease payable	(2,720,782)	(3,504,424)
Compensated absences payable	(311,493)	(291,410)
Net OPEB liability	(8,587,967)	(7,909,578)
Net pension liability	(182,699,935)	(214,154,466)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences related to pensions and OPEB that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions	105,764,967	137,257,527
Deferred inflows of resources related to pensions	(29,500,575)	(1,561,468)
Deferred inflows of resources related to OPEB	(672,407)	(369,712)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
	82,648	94,147
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position and interfund activity is removed.		
	(553,980)	297,068
Governmental funds do not report a liability for accrued interest on bonds and certificates of participation until due and payable.		
	<u>(3,161,608)</u>	<u>(3,681,614)</u>
Total net position - governmental activities	<u>\$ (67,339,177)</u>	<u>\$ (50,356,767)</u>

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2018
(with Comparative Totals for the Year Ended June 30, 2017)

	General	Debt Service	Capital Projects
Revenues			
Local property taxes	\$ 13,957,451	\$ 18,825,143	\$ -
Other local and county revenues	1,663,954	244,418	794,659
Revenue from state sources	76,908,387	1,451,668	-
Revenue from federal sources	2,279,035	-	-
Sales and other conversion of assets	264,851	-	-
Total revenues	<u>95,073,678</u>	<u>20,521,229</u>	<u>794,659</u>
Expenditures			
Current			
Administration	5,452,115	-	-
District support services	1,992,860	-	-
Elementary and secondary regular instruction	41,375,223	-	-
Vocational education instruction	633,155	-	-
Special education instruction	18,062,751	-	-
Instructional support services	7,276,861	-	-
Pupil support services	7,869,648	-	-
Sites and buildings	5,824,702	-	401,154
Fiscal and other fixed cost programs	199,020	-	-
Food service	-	-	-
Community education and services	-	-	-
Capital outlay			
Administration	45,326	-	-
District support services	1,259	-	-
Elementary and secondary regular instruction	295,139	-	-
Vocational education instruction	1,196	-	-
Special education instruction	10,007	-	-
Instructional support services	1,079,155	-	-
Pupil support services	1,553	-	-
Sites and buildings	1,855,778	-	42,545,404
Food service	-	-	-
Community education and services	-	-	-
Debt service			
Principal	1,766,121	29,780,000	-
Interest and fiscal charges	491,579	8,423,509	-
Total expenditures	<u>94,233,448</u>	<u>38,203,509</u>	<u>42,946,558</u>
Excess of revenues over (under) expenditures	840,230	(17,682,280)	(42,151,899)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	508,669	-	-
Issuance of capital leases	417,480	-	-
Total other financing sources (uses)	<u>926,149</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,766,379	(17,682,280)	(42,151,899)
Fund Balances			
Beginning of year	<u>1,067,254</u>	<u>20,670,744</u>	<u>53,366,000</u>
End of year	<u>\$ 2,833,633</u>	<u>\$ 2,988,464</u>	<u>\$ 11,214,101</u>

See notes to financial statements.

Nonmajor Funds	Total Governmental Funds	
	2018	2017
\$ 580,649	\$ 33,363,243	\$ 32,575,051
1,302,801	4,005,832	3,810,443
1,196,759	79,556,814	77,109,197
2,146,089	4,425,124	4,829,246
2,044,428	2,309,279	2,281,609
<u>7,270,726</u>	<u>123,660,292</u>	<u>120,605,546</u>
-	5,452,115	5,648,428
-	1,992,860	2,175,658
-	41,375,223	41,499,067
-	633,155	868,774
-	18,062,751	18,342,688
-	7,276,861	8,185,448
-	7,869,648	7,614,151
-	6,225,856	5,852,566
-	199,020	191,091
4,301,406	4,301,406	4,534,624
2,701,273	2,701,273	2,653,638
-	45,326	82,354
-	1,259	2,885
-	295,139	248,474
-	1,196	1,499
-	10,007	99,182
-	1,079,155	4,138,422
-	1,553	-
-	44,401,182	48,140,130
153,236	153,236	32,160
4,360	4,360	16,496
-	31,546,121	12,528,917
-	8,915,088	9,136,642
<u>7,160,275</u>	<u>182,543,790</u>	<u>171,993,294</u>
110,451	(58,883,498)	(51,387,748)
-	508,669	4,022
-	417,480	3,447,610
<u>-</u>	<u>926,149</u>	<u>3,451,632</u>
110,451	(57,957,349)	(47,936,116)
<u>842,389</u>	<u>75,946,387</u>	<u>123,882,503</u>
<u>\$ 952,840</u>	<u>\$ 17,989,038</u>	<u>\$ 75,946,387</u>

Independent School District No. 720
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2018
(with Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Net change in fund balances - total governmental funds	\$ (57,957,349)	\$ (47,936,116)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	44,442,198	51,585,385
Depreciation expense	(6,904,270)	(6,196,982)
Book value of disposed capital assets	(206,833)	-
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(20,083)	90,846
Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities recognizes when the expenses are incurred.	(981,084)	(618,242)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but has no impact on net position in the Statement of Activities.	31,546,121	12,528,917
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	520,007	(22,048)
Governmental funds report the effect of bond premiums when the debt is first issued as an other financing source, whereas these amounts are deferred and amortized in the Statement of Activities.	1,836,046	1,836,047
Issuance of bonds and leases are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.	(417,480)	(3,447,610)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
Pension expense	(27,977,136)	(27,768,262)
The self-insured Health and Dental Internal Service Funds are used by management to charge the costs of the self-insured plans. The increase in net position is reported within the governmental activities in the Statement of Activities	(851,048)	199,435
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(11,499)	12,552
Change in net position - governmental activities	<u>\$ (16,982,410)</u>	<u>\$ (19,736,078)</u>

Independent School District No. 720
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2018
(with Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget - Over (Under)	Amounts
Revenues					
Local property taxes	\$ 13,852,370	\$ 13,852,370	\$ 13,957,451	\$ 105,081	\$ 13,303,806
Other local and county revenues	1,823,426	1,720,304	1,663,954	(56,350)	1,809,047
Revenue from state sources	75,903,741	76,668,726	76,908,387	239,661	74,409,197
Revenue from federal sources	2,000,140	2,230,754	2,279,035	48,281	2,608,592
Sales and other conversion of assets	166,243	166,243	264,851	98,608	197,051
Total revenues	<u>93,745,920</u>	<u>94,638,397</u>	<u>95,073,678</u>	<u>435,281</u>	<u>92,327,693</u>
Expenditures					
Current					
Administration	5,433,622	5,592,703	5,452,115	(140,588)	5,648,428
District support services	216,806	2,651,936	1,992,860	(659,076)	2,175,658
Elementary and secondary regular instruction	42,269,996	41,889,276	41,375,223	(514,053)	41,499,067
Vocational education instruction	449,545	586,305	633,155	46,850	868,774
Special education instruction	18,423,782	17,995,027	18,062,751	67,724	18,342,688
Instructional support services	8,331,502	7,651,577	7,276,861	(374,716)	8,185,448
Pupil support services	7,544,843	7,954,678	7,869,648	(85,030)	7,614,151
Sites and buildings	6,036,468	5,375,819	5,824,702	448,883	5,411,781
Fiscal and other fixed cost programs	175,100	190,300	199,020	8,720	191,091
Capital outlay					
Administration	56,000	56,000	45,326	(10,674)	82,354
District support services	4,000	4,000	1,259	(2,741)	2,885
Elementary and secondary regular instruction	169,803	181,803	295,139	113,336	248,474
Vocational education instruction	1,500	1,500	1,196	(304)	1,499
Special education instruction	8,000	1,000	10,007	9,007	99,182
Instructional support services	1,728,000	1,641,000	1,079,155	(561,845)	4,138,422
Pupil support services	-	-	1,553	1,553	-
Sites and buildings	1,032,850	1,930,000	1,855,778	(74,222)	840,272
Debt service					
Principal	1,400,000	1,766,121	1,766,121	-	1,393,917
Interest and fiscal charges	495,000	491,595	491,579	(16)	488,985
Total expenditures	<u>93,776,817</u>	<u>95,960,640</u>	<u>94,233,448</u>	<u>(1,727,192)</u>	<u>97,233,076</u>
Excess of revenues over (under) expenditures	(30,897)	(1,322,243)	840,230	2,162,473	(4,905,383)
Other Financing Sources					
Proceeds from sale of capital assets	-	358,285	508,669	150,384	4,022
Issuance of capital leases	1,000,000	1,000,000	417,480	(582,520)	3,447,610
Total other financing sources	<u>1,000,000</u>	<u>1,358,285</u>	<u>926,149</u>	<u>(432,136)</u>	<u>3,451,632</u>
Net change in fund balance	<u>\$ 969,103</u>	<u>\$ 36,042</u>	1,766,379	<u>\$ 1,730,337</u>	(1,453,751)
Fund Balance					
Beginning of year			1,067,254		2,521,005
End of year			<u>\$ 2,833,633</u>		<u>\$ 1,067,254</u>

Independent School District No. 720
Statement of Net Position - Proprietary Funds
As of June 30, 2018

	Governmental Activities - Internal Service Funds
Assets	
Current	
Cash and cash equivalents	\$ 525,241
Liabilities	
Current	
Accounts payable	\$ 2,017
Incurred but not reported claims	1,077,204
Total liabilities	1,079,221
Net Position	
Unrestricted	(553,980)
Total liabilities and net position	\$ 525,241

Independent School District No. 720
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
Operating Revenue	
Charges for services	<u>\$ 8,864,471</u>
Operating Expenses	
Insurance	<u>9,716,910</u>
Operating loss	(852,439)
Nonoperating Revenue	
Investment Income	<u>1,391</u>
Change in net position	(851,048)
Net Position	
Beginning of year	<u>297,068</u>
End of year	<u><u>\$ (553,980)</u></u>

Independent School District No. 720
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2018

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from district contributions	\$ 8,864,632
Employee claims paid	(9,419,435)
Net cash flows - operating activities	<u>(554,803)</u>
Cash Flows - Investing Activities	
Interest received	<u>1,391</u>
Net change in cash and cash equivalents	(553,412)
Cash and Cash Equivalents	
Beginning of year	<u>1,078,653</u>
End of year	<u><u>\$ 525,241</u></u>
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	\$ (852,439)
Adjustments to reconcile operating loss to net cash flows - operating activities	
Accounts payable	431
Incurred but not reported claims	297,044
Accounts receivable	161
Net adjustments	<u>297,636</u>
Net cash flows - operating activities	<u><u>\$ (554,803)</u></u>

Independent School District No. 720
Statement of Fiduciary Net Position
June 30, 2018

	OPEB Trust Fund	Private Purpose Trust Fund
Assets		
Cash and cash equivalents	\$ -	\$ 29,060
Investments		
Brokered money markets	13,798	-
Mutual funds - fixed income	2,320,231	-
Mutual funds - equity	2,510,394	-
Interest receivable	630	-
Total assets	<u>4,845,053</u>	<u>29,060</u>
Liabilities		
Accounts payable	<u>1,797</u>	<u>12,000</u>
Net Position		
Held in trust for OPEB	4,843,256	-
Held in trust for scholarships	<u>-</u>	<u>17,060</u>
Total net position held in trust	<u><u>\$ 4,843,256</u></u>	<u><u>\$ 17,060</u></u>

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	OPEB Trust Fund	Private Purpose Trust Fund
Additions		
Contributions	\$ -	\$ 2,000
Investment income	302,837	371
Total additions	<u>302,837</u>	<u>2,371</u>
Deductions		
Health insurance benefits	184,005	-
Scholarships	-	12,000
Professional fees	1,797	-
Total deductions	<u>185,802</u>	<u>12,000</u>
Change in net position	117,035	(9,629)
Net Position		
Beginning of year	<u>4,726,221</u>	<u>26,689</u>
End of year	<u><u>\$ 4,843,256</u></u>	<u><u>\$ 17,060</u></u>

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Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control; therefore, separate audited financial statements have been issued.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These Statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues; instead, they are properly reported as general revenues.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Trust Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to customers for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds:

Major Funds:

General Fund – This fund includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety, and disabled accessibility projects. It is the basic operating fund of the District and accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Proprietary Funds:

Health Insurance Internal Service Fund – This fund is used to account for self-insured employee health costs and related stop loss insurance.

Dental Insurance Internal Service Fund – This fund is used to account for self-insured employee dental costs and related stop loss insurance.

Fiduciary Funds:

OPEB Trust Fund – This fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

Private Purpose Trust Fund – The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Cash and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

District Funds Other than OPEB Trust Fund

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. The investments of the capital projects building construction funds are not pooled and earnings on these investments are allocated directly to that fund.

Cash and investments at June 30, 2018, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including certificates of deposit, U.S. Treasury securities, U.S. government agencies, and commercial paper. MSDLAf securities are valued at amortized cost, which approximates fair value.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF securities are valued at amortized costs, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2018, they were comprised of mutual funds. The District's investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2017, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2018. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventory is recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Scott County is the collecting agency for the levy and remits the collections to the District three time a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 10 to 50 years for site improvements and buildings and 5 to 15 years for furniture and equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. A deferred outflow of resources related to pension activity is recorded for various estimate differences that will be amortized and recognized over future years and is reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows relating to pension activity and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. The fourth item is a deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fifth item is a deferred inflows of resources related to OPEB and is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Compensated absence benefits are paid by the General Fund and Special Revenue Funds. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

Under the terms of certain collectively bargained employment contracts, the District is required to contribute health insurance premiums or to a health savings account for certain retired employees. The amount to be paid is limited as specified by contract.

Additional details for post employment health benefits can be found in Note 7.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2018.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- **Restricted Fund Balances** – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** – These amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to year-end; however, the specific amounts actually committed can be determined in the subsequent year.
- **Assigned Fund Balances** – The School Board may vote to assign fund balances but also delegates the power to assign fund balances to the Finance Director. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.
- **Unassigned Fund Balances** – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

Independent School District No. 720
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

The District's fund balance policy includes a target unassigned General Fund balance goal of between 8% and 12% of the annual budget.

S. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

T. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented by fund types and in total in the fund financial statements and government-wide statements in order to provide an understanding of the changes in financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year's presentation.

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the Director of Finance and Operations submits to the School Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Director of Finance and Operations is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

District Funds and OPEB Trust Fund

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: For a deposit, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding federal deposit coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk because it was insured by FDIC insurance or fully collateralized.

As of June 30, 2018, the District had the following deposits:

Checking - District funds other than trust funds	\$ 83,371
Checking - Private Purpose Trust Fund	<u>29,060</u>
Total Deposits	<u><u>\$ 112,431</u></u>

B. Investments

District Funds Other than OPEB Trust Fund

As of June 30, 2018, the District had the following investments:

Investment Type	Investment Maturities			S&P/Moody's Rating
	Fair Value	Less than 1 Year	1-5 Years	
Brokered Money Markets	\$ 17	\$ 17	\$ -	N/A
U.S. Treasury Obligations	3,197,043	3,197,043	-	AA+
Federal Agency Bonds/Notes	6,495,531	6,495,531	-	AA+
MSDLAF+ Term	15,000,000	15,000,000	-	AAAf
MSDLAF+ Liquid Class	2,452,927	2,452,927	-	AAAm
MSDLAF+ MAX Class	15,486,983	15,486,983	-	AAAm
Total investments	<u><u>\$ 42,632,501</u></u>	<u><u>\$ 42,632,501</u></u>	<u><u>\$ -</u></u>	

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

District Funds Other than OPEB Trust Fund (Continued)

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. The District will minimize credit risk by limiting investments to those allowed by statutory constraints.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to concentration of credit risk at June 30, 2018, as no investments represented more than 5% of total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the school district listing pertinent investment information.

The District has the following recurring fair value measurements as of June 30, 2018:

- \$3,197,043 of \$42,632,501 are valued using quoted market prices (Level 1 inputs)
- \$6,495,531 of \$42,632,501 are valued using a matrix pricing mode (Level 2 inputs)

\$32,939,928 of \$42,632,501 are not valued under Level 1 or 2, as they are not applicable to those fair value measurements.

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

OPEB Trust Fund

As of June 30, 2018, the District's OPEB Trust Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>
Brokered money markets	\$ 13,798	N/A
Mutual funds - fixed income	2,320,231	N/A
Mutual funds - equity	<u>2,510,394</u>	N/A
Total investments	<u><u>\$ 4,844,423</u></u>	

The District's OPEB Trust Fund investments have the following recurring fair value measurements as of June 30, 2018:

- \$4,830,625 of \$4,844,423 are valued using quoted market prices (Level 1 inputs)

\$13,798 of \$4,844,423 are not valued under Level 1 or 2 as they are not applicable to those fair value measurements.

C. Deposits and Investments

The following is a summary of total deposits and investments:

District funds other than trust funds	
Deposits (Note 2.A.)	\$ 83,371
Investments (Note 2.B.)	42,632,501
Petty cash	1,740
Private purpose trust fund	
Deposits (Note 2.A.)	29,060
OPEB trust fund	
Investments (Note 2.B.)	<u>4,844,423</u>
Total deposits and investments	<u><u>\$ 47,591,095</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2018 basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 42,717,612
Statement of Fiduciary Net Position	
Private purpose trust fund	29,060
OPEB trust fund	4,844,423
	<hr/>
Total deposits and investments	<u><u>\$ 47,591,095</u></u>

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14,831,269	\$ -	\$ 204,000	\$ 14,627,269
Construction in progress	54,375,319	43,537,422	8,920,680	88,992,061
Total capital assets not being depreciated	<hr/> 69,206,588	<hr/> 43,537,422	<hr/> 9,124,680	<hr/> 103,619,330
Capital assets Being depreciated				
Site improvements	7,283,216	7,361,159	-	14,644,375
Buildings	168,198,933	1,764,176	362,560	169,600,549
Furniture and equipment	22,044,076	700,120	1,650,504	21,093,692
Total capital assets being depreciated	<hr/> 197,526,225	<hr/> 9,825,455	<hr/> 2,013,064	<hr/> 205,338,616
Less accumulated depreciation for				
Site improvements	4,406,211	672,055	-	5,078,266
Buildings	53,224,857	3,840,448	362,560	56,702,745
Furniture and equipment	12,450,142	2,391,767	1,647,672	13,194,237
Total accumulated depreciation	<hr/> 70,081,210	<hr/> 6,904,270	<hr/> 2,010,232	<hr/> 74,975,248
Total capital assets being depreciated, net	<hr/> 127,445,015	<hr/> 2,921,185	<hr/> 2,832	<hr/> 130,363,368
Governmental activities capital assets, net	<u><u>\$ 196,651,603</u></u>	<u><u>\$ 46,458,607</u></u>	<u><u>\$ 9,127,512</u></u>	<u><u>\$ 233,982,698</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$6,904,270 for the year ended June 30, 2018, was charged to the following governmental functions.

Administration	\$ 576
District support services	39,017
Elementary and secondary regular instruction	3,825,729
Special education instruction	1,610
Instructional support services	556
Pupil support	70,922
Sites and buildings	1,243,527
Food service	38,521
Community service	94,013
Unallocated	<u>1,589,799</u>
Total depreciation expense	<u><u>\$ 6,904,270</u></u>

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds, including refunding bonds						
2012A Crossover Refunding Bonds	02/01/12	3.00%-5.00%	\$ 39,000,000	02/01/25	\$ 27,935,000	\$ 3,640,000
2013A Crossover Refunding Bonds	02/21/13	3.00%-5.00%	38,325,000	02/01/26	31,410,000	2,940,000
2014A Crossover Refunding Bonds	12/16/14	3.00%-5.00%	12,055,000	02/01/22	4,350,000	1,025,000
2015A School Building Bonds	07/20/15	3.00%-5.00%	85,030,000	02/01/34	78,780,000	6,005,000
2015B School Building Bonds	07/20/15	3.65%-3.75%	12,130,000	02/01/36	12,130,000	-
2016A Crossover Refunding Bonds	05/04/16	3.00%-5.00%	15,025,000	02/01/26	<u>15,025,000</u>	<u>705,000</u>
Total G.O. bonds					169,630,000	14,315,000
Certificates of participation						
2013B certificates of participation	12/30/13	2.00-4.50%	13,175,000	02/01/33	10,930,000	590,000
Unamortized bond premium/discount					15,883,057	-
Capital lease payable					2,720,782	1,575,993
Compensated absences payable					<u>311,493</u>	<u>311,493</u>
Total all long-term liabilities					<u><u>\$ 199,475,332</u></u>	<u><u>\$ 16,792,486</u></u>

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities and to refinance (refund) previous bond issues. G.O. bonds are liquidated from the Debt Service Fund while certificates of participation and capital leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, are also typically liquidated through the General Fund.

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

In May 2016, the District issued G.O. School Building Crossover Refunding Bonds, Series 2016A in the amount of \$15,025,000. The Bonds were issued to crossover refund the G.O. School Building Bonds, Series 2008A at the call date of February 1, 2018. The total cash savings to the District was \$1,895,525 with a net present value benefit of \$1,707,134.

B. Minimum Debt Payments for Bonds and Certificate of Participation

Minimum annual principal and interest payments required to retire bond and certificate of participation liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2019	\$ 14,315,000	\$ 7,167,675	\$ 21,482,675
2020	16,255,000	6,512,675	22,767,675
2021	18,140,000	5,773,975	23,913,975
2022	12,665,000	4,882,975	17,547,975
2023	13,380,000	4,315,275	17,695,275
2024-2028	53,415,000	13,038,100	66,453,100
2029-2033	26,295,000	5,836,050	32,131,050
2034-2036	15,165,000	1,235,825	16,400,825
Total	<u>\$ 169,630,000</u>	<u>\$ 48,762,550</u>	<u>\$ 218,392,550</u>

Year Ending June 30,	Certificates of Participation		
	Principal	Interest	Total
2019	\$ 590,000	\$ 444,068	\$ 1,034,068
2020	610,000	426,369	1,036,369
2021	625,000	408,069	1,033,069
2022	655,000	383,069	1,038,069
2023	680,000	356,868	1,036,868
2024-2028	3,570,000	1,373,744	4,943,744
2029-2033	4,200,000	568,675	4,768,675
Total	<u>\$ 10,930,000</u>	<u>\$ 3,960,862</u>	<u>\$ 14,890,862</u>

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 199,410,000	\$ -	\$ 29,780,000	\$ 169,630,000
Certificates of participation	11,495,000	-	565,000	10,930,000
Premium/discount	17,639,551	-	1,756,494	15,883,057
Capital leases payable	3,504,424	417,480	1,201,122	2,720,782
Compensated absences payable	291,410	475,926	455,843	311,493
	<u>291,410</u>	<u>475,926</u>	<u>455,843</u>	<u>311,493</u>
Total long-term liabilities	<u>\$ 232,340,385</u>	<u>\$ 893,406</u>	<u>\$ 33,758,459</u>	<u>\$ 199,475,332</u>

D. Capital Lease Obligations

The District entered into two lease purchase option agreements commencing on July 20, 2015, with Apple Inc. for computers. The capital lease obligations totaled \$1,239,504. The capital lease agreements include annual principal and interest payments of \$69,151 and \$264,622 through July 20, 2017 and July 20, 2018, respectively. The book value of the computer equipment was \$619,752 at June 30, 2018.

The District entered into two lease purchase option agreements on July 15, 2016, with Apple Inc. for computers. The capital lease obligations totaled \$2,011,500. The capital lease agreements include annual principal and interest payments of \$78,615 and \$453,594 through July 15, 2018 and July 15, 2019, respectively. The book value of the computer equipment was \$1,408,050 at June 30, 2018.

The District entered into two lease purchase option agreements on April 12, 2017, with Apple Inc. for computers. The capital lease obligations totaled \$1,436,110. The capital lease agreements include annual principal and interest payments of \$199,906 and \$165,807 through July 15, 2020. The book value of the computer equipment was \$1,005,277 at June 30, 2018.

The District entered into a lease purchase option agreement on June 11, 2018, with Apple Inc. for computers. The capital lease obligations totaled \$417,480. The capital lease agreements include annual principal and interest payments of \$141,425 through July 15, 2020. The book value of the computer equipment was \$375,732 at June 30, 2018.

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,	
2019	\$ 1,303,969
2020	960,733
2021	<u>507,139</u>
Total minimum lease payments	2,771,841
Less amount representing interest	<u>(51,059)</u>
Present value of net minimum lease payments	<u>\$ 2,720,782</u>

E. Operating Lease Obligations

The District leases space for the Area Learning Center and is classified as an operating lease, which expires in 2019. Total lease expenditures for 2018 were \$250,599.

The District also has two three year options after the lease expires on July 31, 2019, which are not included in the payment schedule on the following page.

Option Term 1

Annual rent per square foot – \$6.00

Monthly base rent – \$6,175.50

Option Term 2

Annual rent per square foot – \$7.00

Monthly base rent – \$7,204.75

Beginning on November 1, 2014, the District began leasing space for the District Office and is classified as an operating lease, the last of which expires in 2019. Total lease expenditures for 2018 were \$263,148.

The District also has two three year options after the lease expires on October 31, 2019, which are not included in the payment schedule below.

Option Term 1

Annual rent per square foot – \$9.50

Monthly base rent – \$20,134.46

Option Term 2

Annual rent per square foot – \$10.50

Monthly base rent – \$22,253.88

Beginning December 1, 2016, the District has an agreement with the City of Shakopee for use of the ice rink and it is classified as an operating lease, which expires March 31, 2027. Total lease expenditures for 2018 were \$125,000.

Independent School District No. 720
Notes to Financial Statements

NOTE 4 – LONG-TERM DEBT (CONTINUED)

E. Operating Lease Obligations (Continued)

Minimum future rental payments under the non-cancelable operating leases are:

Year Ending June 30,	
2019	\$ 516,446
2020	208,487
2021	125,000
2022	125,000
2023	125,000
2024-2027	<u>500,000</u>
Total	<u><u>\$ 1,599,933</u></u>

NOTE 5 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 45,582	\$ 45,582
Prepaid items	208,934	-	-	-	208,934
Total nonspendable	<u>208,934</u>	<u>-</u>	<u>-</u>	<u>45,582</u>	<u>254,516</u>
Restricted for					
Operating Capital	702,109	-	-	-	702,109
Medical Assistance	152,874	-	-	-	152,874
Early Childhood and Family Education	-	-	-	136,180	136,180
School Readiness	-	-	-	321,606	321,606
Debt Service	-	2,988,464	-	-	2,988,464
Capital Projects	-	-	11,214,101	-	11,214,101
Food Service	-	-	-	628,973	628,973
Total Restricted	<u>854,983</u>	<u>2,988,464</u>	<u>11,214,101</u>	<u>1,086,759</u>	<u>16,144,307</u>
Assigned for					
Indian Education	20,882	-	-	-	20,882
One-to-one Insurance	164,506	-	-	-	164,506
Total Assigned	<u>185,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,388</u>
Unassigned	<u>1,584,328</u>	<u>-</u>	<u>-</u>	<u>(179,501)</u>	<u>1,404,827</u>
Total fund balance	<u><u>\$ 2,833,633</u></u>	<u><u>\$ 2,988,464</u></u>	<u><u>\$ 11,214,101</u></u>	<u><u>\$ 952,840</u></u>	<u><u>\$ 17,989,038</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account. The balance as of June 30, 2018, is a deficit (negative) \$106,858 which is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12). The balance as of June 30, 2018, is a deficit (negative) \$378,012 which is presented within unassigned fund balance in the General Fund for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, and extended day programs. The balance as of June 30, 2018, is a deficit (negative) \$179,501, which is presented within unassigned fund balance for the purposes of reporting in accordance with generally accepted accounting principles.

Restricted for Debt Service – This balance represents the balance of the Debt Service Fund available for future debt principal and interest payments.

Restricted for Capital Projects – This balance represents the balance of the Capital Projects Fund available for future capital purchases.

Independent School District No. 720
Notes to Financial Statements

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted for Food Service – This balance represents the balance of the Food Service Fund that is available for future food service expenditures.

Assigned for Indian Education – This balance represents resources set aside for the District's Indian Education programs.

Assigned for One-to-One Insurance – This balance represents resources set aside for repairs/replacement of one-to-one devices.

B. Net Position

Net Investment in Capital Assets – This amount represent the net book value of the District's capital assets less the balance of outstanding debt used to acquire them.

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, Debt Service, and Capital Projects Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

The District participates in various pension plans. Total pension expense for the year ended June 30, 2018, was \$32,624,271. The components of pension expense are noted in the following plan summaries.

A. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with *Minnesota Statutes*, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary school, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by *Minnesota Statute* and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2016, June 30, 2017, and June 30, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 367,791
Deduct Employer contributions not related to future contribution efforts	810
Deduct TRA's contributions not included in allocation	<u>(456)</u>
Total employer contributions	368,145
Total non-employer contributions	<u>35,588</u>
Total contributions reported in schedule of employer and non-employer pension allocations	<u><u>\$ 403,733</u></u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2017
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the single equivalent interest rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	2.00%

Mortality Assumption

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	39 %	5.10 %
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Unallocated cash	2	0.00
Total	<u>100 %</u>	

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions", and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 5.12%. This is an increase from the discount rate at the prior measurement date of 4.66%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.5%) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56% was applied to periods on and after 2053, resulting in a SEIR of 5.12%. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01%).

F. Net Pension Liability

On June 30, 2018, the District reported a liability of \$170,493,853 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.8541% at the end of the measurement period and 0.8321% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$ 170,493,853
State's proportionate share of the net pension liability associated with the District	16,481,743

For the year ended June 30, 2018, the District recognized pension expense of \$31,117,038. It recognized \$316,107 as an increase to pension expense for the support provided by direct aid.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

On June 30, 2018, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,211,774	\$ 1,197,117
Net difference between projected and actual earnings on plan investments	-	1,600,214
Changes of assumptions	90,191,892	23,883,497
Changes in proportion	7,347,426	-
Contributions to TRA subsequent to the measurement date	3,416,209	-
	<u>\$ 102,167,301</u>	<u>\$ 26,680,828</u>
Total		

\$3,416,209 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2019	\$ 19,025,476
2020	21,711,913
2021	19,375,340
2022	16,098,187
2023	<u>(4,140,652)</u>
Total	<u>\$ 72,070,264</u>

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower and 1 percent higher than the current rate.

District proportionate share of NPL		
1% decrease (4.12%)	Current (5.12%)	1% increase (6.12%)
\$ 225,019,034	\$ 170,493,853	\$ 124,522,493

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public services.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. The District was required to contribute 7.5% for Coordinated Plan members in fiscal year 2018. The District's contributions to the General Employees Fund for the year ended June 30, 2018, were \$910,386. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2018, the District reported a liability of \$12,206,082 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$153,497. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.1912%, which was a decrease of 0.0019% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,507,233 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$4,433 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2018, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 402,275	\$ 785,037
Changes in actuarial assumptions	2,046,609	1,223,661
Difference between projected and actual investments earnings	-	546,199
Change in proportion	238,396	264,850
Contributions paid to PERA subsequent to the measurement date	910,386	-
	<u>910,386</u>	<u>-</u>
Total	<u>\$ 3,597,666</u>	<u>\$ 2,819,747</u>

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

\$910,386 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ (141,677)
2020	791,486
2021	(264,150)
2022	<u>(518,126)</u>
Total	<u><u>\$ (132,467)</u></u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1% per year for the General Employees Plan through 2044 and then 2.5% thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10 %
International stocks	19%	5.30
Bonds	20%	0.75
Alternative assets	20%	5.90
Cash	2%	0.00
Total	100%	

F. Discount Rates

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 18,932,540	\$ 12,206,082	\$ 6,699,254

Independent School District No. 720
Notes to Financial Statements

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through its Other Post Employment Benefits (OPEB) Plan, a single-employer defined benefit plan administered by the District. All post employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements.

The OPEB plan is included in the report of the District. A separate financial report is not issued.

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare or a limited number of years depending on the contractual language. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

C. Members

As of July 1, 2016, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Active employees	<u>1,038</u>
Total	<u><u>1,059</u></u>

D. Contributions

Retirees and their families have access to the health care plan at the same premium rate as District employees. This results in the retirees receiving an implicit rate subsidy. The premiums are based on the contract terms with PreferredOne. The required contributions are on projected pay-as-you-go financing requirements. For fiscal year 2018, the District contributed \$ 310,068 to the plan.

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	4.30%, net of investment expense
Salary increases	3.00%, including inflation
Inflation	2.50%
Healthcare cost trend increases	6.50% initially, decreasing to 5.0% over 6 years
Mortality Assumption	RP-2014 White Collar Mortality Tables with MP- 2015 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50.00 %	3.40 %
Domestic equity	33.00	5.20
International equity	17.00	5.20
Real estate	0.00	0.00
Other	0.00	0.00
Total	<u>100.00 %</u>	

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The details of the investments and the investment policy are described in Note 2. of the District's financial statements. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2017	\$ 12,635,799	\$ 4,726,221	\$ 7,909,578
Changes for the year			
Service cost	958,236	-	958,236
Interest	430,395	-	430,395
Assumption Changes	(300,738)	-	(300,738)
Differences between expected and actual economic experience	-	103,230	(103,230)
Employer contributions	-	106,667	(106,667)
Projected investment return	-	202,898	(202,898)
Benefit payments	(290,672)	(290,672)	-
Administrative expense	-	(3,291)	3,291
Other charges	-	-	-
Net changes	797,221	118,832	678,389
Balances at June 30, 2018	\$ 13,433,020	\$ 4,845,053	\$ 8,587,967

Plan fiduciary net position as a percentage of the total OPEB liability 36.07%

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 3.5% as well as the liability measured using 1 percent lower and 1 percent higher than the current discount rate.

	1% decrease (2.5%)	Current (3.5%)	1% increase (4.5%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability (Asset)	\$ 9,777,882	\$ 8,587,967	\$ 7,462,774

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% decrease (5.50% decreasing to 4.0%)	Current (6.50% decreasing to 5.0%)	1% increase (7.50% decreasing to 6.0%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB Liability (Asset)	\$ 6,648,595	\$ 8,587,967	\$ 10,928,697

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,087,751. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 133,739
Changes of assumptions	<u>-</u>	<u>538,668</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 672,407</u></u>

Independent School District No. 720
Notes to Financial Statements

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2019	\$ (101,273)
2020	(101,273)
2021	(101,272)
2022	(84,221)
2023	(63,575)
Thereafter	<u>(220,793)</u>
Total	<u><u>\$ (672,407)</u></u>

NOTE 8 – COMMITMENT

As of June 30, 2017, the District had the following construction commitments:

<u>Project</u>	<u>Project Authorization</u>	<u>Work Completed</u>	<u>Remaining Commitment</u>
High School Building Addition	\$ 9,045,283	\$ 85,259,930	\$ 5,192,953
South Site Fields	2,804,118	2,111,068	693,050

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2017, the District implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$6,334,246 to add the beginning net OPEB liability.

Independent School District No. 720
Notes to Financial Statements

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending June 30, 2020.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2021.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 720
Schedule of Changes in Net OPEB Liability
and Related Ratios

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB Liability		
Service cost	\$ 1,026,321	\$ 958,236
Interest	369,801	430,395
Changes of assumptions	(335,006)	(300,738)
Benefit payments	(299,365)	(290,672)
Net change in total OPEB liability	<u>761,751</u>	<u>797,221</u>
Beginning of year	<u>11,874,048</u>	<u>12,635,799</u>
End of year	<u><u>\$ 12,635,799</u></u>	<u><u>\$ 13,433,020</u></u>
Plan Fiduciary Net Pension (FNP)		
Employer contributions	\$ 126,365	\$ 106,667
Net investment income	180,697	202,898
Differences between expected and actual experience	85,258	103,230
Benefit payments	(299,365)	(290,672)
Administrative expense	-	(3,291)
Net change in plan fiduciary net position	<u>92,955</u>	<u>118,832</u>
Beginning of year	<u>4,633,266</u>	<u>4,726,221</u>
End of year	<u><u>\$ 4,726,221</u></u>	<u><u>\$ 4,845,053</u></u>
Net OPEB liability	<u><u>\$ 7,909,578</u></u>	<u><u>\$ 8,587,967</u></u>
Plan FNP as a percentage of the total OPEB liability	37.40%	36.07%
Covered-employee payroll	\$ 55,218,930	\$ 56,875,498
Net OPEB liability as a percentage of covered-employee	14.32%	15.10%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 720
Schedule of Investment Returns

	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Annual money-weighted rate of return, net of investment expense	5.70%	6.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 720
Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1966%	\$ 9,235,283	\$ -	\$ 9,235,283	\$ 10,320,166	89.49%	78.75%
2015	0.1839%	9,530,652	-	9,530,652	10,626,680	89.69%	78.19%
2016	0.1931%	15,678,762	204,852	15,883,614	11,984,533	130.82%	68.91%
2017	0.1912%	12,206,082	153,497	12,359,579	12,318,853	99.08%	75.90%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available

Schedule of District's and Non-Employer Proportionate Share
of Net Pension Liability - TRA Retirement Fund
Last Ten Years*

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.8067%	\$ 37,172,155	\$ 2,615,162	\$ 39,787,317	\$ 36,823,971	100.9%	81.5%
2015	0.7817%	48,355,876	5,931,424	54,287,300	39,672,933	121.9%	76.8%
2016	0.8321%	198,475,704	19,921,322	218,397,026	43,284,507	458.5%	44.9%
2017	0.8541%	170,493,853	16,481,743	186,975,596	45,978,120	370.8%	51.6%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**Independent School District No. 720
Schedule of District Contributions -
General Employees Retirement Fund
Last Ten Years***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014	\$ 748,212	\$ 748,212	\$ -	\$ 10,320,166	7.25%
2015	797,001	797,001	-	10,626,680	7.50%
2016	898,840	898,840	-	11,984,533	7.50%
2017	923,914	923,914	-	12,318,853	7.50%
2018	910,386	910,386	-	12,138,480	7.50%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**Schedule of District Contributions -
TRA Retirement Fund
Last Ten Years***

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014	\$ 2,577,678	\$ 2,577,678	\$ -	\$ 36,823,971	7.0%
2015	2,975,470	2,975,470	-	39,672,933	7.5%
2016	3,246,338	3,246,338	-	43,284,507	7.5%
2017	3,448,359	3,448,359	-	45,978,120	7.5%
2018	3,416,209	3,416,209	-	45,549,453	7.5%

* These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Fund

2017 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Independent School District No. 720
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Independent School District No. 720
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.90% to 3.50%.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

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Independent School District No. 720
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2018

		Special Revenue	
		Community	
	Food Service	Service	Total
Assets			
Cash and investments	\$ 812,155	\$ 736,201	\$ 1,548,356
Current property taxes receivable	-	281,937	281,937
Delinquent property taxes receivable	-	1,438	1,438
Accounts receivable	-	7,412	7,412
Due from Department of Education	-	89,979	89,979
Due from Federal Government			
through Department of Education	30,280	-	30,280
Inventory	45,582	-	45,582
Total assets	<u>\$ 888,017</u>	<u>\$ 1,116,967</u>	<u>\$ 2,004,984</u>
Liabilities			
Accounts payable	\$ 5,622	\$ 22,193	\$ 27,815
Salaries and benefits payable	106,127	155,268	261,395
Due to other governmental units	-	425	425
Unearned revenue	101,713	68,534	170,247
Total liabilities	<u>213,462</u>	<u>246,420</u>	<u>459,882</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent			
year's expenditures	-	590,824	590,824
Unavailable revenue - delinquent			
property taxes	-	1,438	1,438
Total deferred inflows of resources	<u>-</u>	<u>592,262</u>	<u>592,262</u>
Fund Balances			
Nonspendable	45,582	-	45,582
Restricted for			
Early childhood and family			
education programs	-	136,180	136,180
School readiness	-	321,606	321,606
Food service	628,973	-	628,973
Unassigned	-	(179,501)	(179,501)
Total fund balances	<u>674,555</u>	<u>278,285</u>	<u>952,840</u>
Total liabilities, deferred inflows of			
resources, and fund balances	<u>\$ 888,017</u>	<u>\$ 1,116,967</u>	<u>\$ 2,004,984</u>

Independent School District No. 720
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2018

		Special Revenue	
		Food Service	Community Service
			Total
Revenues			
Local property taxes	\$ -	\$ 580,649	\$ 580,649
Other local and county revenues	19,176	1,283,625	1,302,801
Revenue from state sources	273,238	923,521	1,196,759
Revenue from federal sources	2,146,089	-	2,146,089
Sales and other conversion of assets	2,038,572	5,856	2,044,428
Total revenues	<u>4,477,075</u>	<u>2,793,651</u>	<u>7,270,726</u>
Expenditures			
Current			
Food service	4,301,406	-	4,301,406
Community education and services	-	2,701,273	2,701,273
Capital outlay			
Food service	153,236	-	153,236
Community education and services	-	4,360	4,360
Total expenditures	<u>4,454,642</u>	<u>2,705,633</u>	<u>7,160,275</u>
Excess of revenues over expenditures	22,433	88,018	110,451
Fund Balances			
Beginning of year	<u>652,122</u>	<u>190,267</u>	<u>842,389</u>
End of year	<u>\$ 674,555</u>	<u>\$ 278,285</u>	<u>\$ 952,840</u>

Independent School District No. 720
Balance Sheet - General Fund
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	2018	2017
Assets		
Cash and investments	\$ 10,164,728	\$ 5,171,260
Current property taxes receivable	7,468,082	6,697,282
Delinquent property taxes receivable	34,288	37,802
Accounts receivable	33,293	23,065
Due from Department of Education	6,813,476	7,569,599
Due from Federal Government		
through Department of Education	823,039	1,045,251
Due from other Minnesota school districts	115,955	119,934
Due from other governmental units	-	175,745
Prepaid items	208,934	657,884
	<hr/>	<hr/>
Total assets	\$ 25,661,795	\$ 21,497,822
	<hr/>	<hr/>
Liabilities		
Accounts payable	\$ 889,791	\$ 526,673
Contracts payable	131,859	170,070
Salaries and benefits payable	7,245,564	6,955,744
Due to other Minnesota school districts	362,001	485,623
Due to other governmental units	27,341	22,644
Unearned revenue	100,000	-
Total liabilities	8,756,556	8,160,754
	<hr/>	<hr/>
Deferred Inflows of Resources		
Property taxes levied for subsequent		
year's expenditures	14,037,318	12,232,012
Unavailable revenue - delinquent property taxes	34,288	37,802
Total deferred inflows of resources	14,071,606	12,269,814
	<hr/>	<hr/>
Fund Balance		
Nonspendable	208,934	657,884
Restricted	854,983	-
Assigned	185,388	20,882
Unassigned	1,584,328	388,488
Total fund balance	2,833,633	1,067,254
	<hr/>	<hr/>
Total liabilities, deferred inflows of		
resources, and fund balance	\$ 25,661,795	\$ 21,497,822
	<hr/>	<hr/>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2018
(with Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017
	Budgeted Amounts		Variance with	Actual
	Original	Final	Final Budget -	Amounts
			Over (Under)	
Revenues				
Local property taxes	\$ 13,852,370	\$ 13,852,370	\$ 13,957,451	\$ 13,303,806
Other local and county revenues	1,823,426	1,720,304	1,663,954	1,809,047
Revenue from state sources	75,903,741	76,668,726	76,908,387	74,409,197
Revenue from federal sources	2,000,140	2,230,754	2,279,035	2,608,592
Sales and other conversion of assets	166,243	166,243	264,851	197,051
Total revenues	93,745,920	94,638,397	95,073,678	92,327,693
Expenditures				
Current				
Administration	5,433,622	5,592,703	5,452,115	5,648,428
District support services	216,806	2,651,936	1,992,860	2,175,658
Elementary and secondary regular instruction	42,269,996	41,889,276	41,375,223	41,499,067
Vocational education instruction	449,545	586,305	633,155	868,774
Special education instruction	18,423,782	17,995,027	18,062,751	18,342,688
Instructional support services	8,331,502	7,651,577	7,276,861	8,185,448
Pupil support services	7,544,843	7,954,678	7,869,648	7,614,151
Sites and buildings	6,036,468	5,375,819	5,824,702	5,411,781
Fiscal and other fixed cost programs	175,100	190,300	199,020	191,091
Capital outlay				
Administration	56,000	56,000	45,326	82,354
District support services	4,000	4,000	1,259	2,885
Elementary and secondary regular instruction	169,803	181,803	295,139	248,474
Vocational education instruction	1,500	1,500	1,196	1,499
Special education instruction	8,000	1,000	10,007	99,182
Instructional support services	1,728,000	1,641,000	1,079,155	4,138,422
Pupil support services	-	-	1,553	-
Sites and buildings	1,032,850	1,930,000	1,855,778	840,272
Debt service				
Principal	1,400,000	1,766,121	1,766,121	1,393,917
Interest and fiscal charges	495,000	491,595	491,579	488,985
Total expenditures	93,776,817	95,960,640	94,233,448	97,233,076
Excess of revenues over (under) expenditures	(30,897)	(1,322,243)	840,230	(4,905,383)
Other Financing Sources				
Proceeds from sale of capital assets	-	358,285	508,669	4,022
Issuance of capital leases	1,000,000	1,000,000	417,480	3,447,610
Total other financing sources	1,000,000	1,358,285	926,149	3,451,632
Net change in fund balance	\$ 969,103	\$ 36,042	1,766,379	(1,453,751)
Fund Balance				
Beginning of year			1,067,254	2,521,005
End of year			\$ 2,833,633	\$ 1,067,254

Independent School District No. 720
Balance Sheet - Food Service Fund
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 812,155	\$ 764,966
Due from Federal Government through Department of Education	30,280	34,116
Inventory	<u>45,582</u>	<u>49,221</u>
Total assets	<u><u>\$ 888,017</u></u>	<u><u>\$ 848,303</u></u>
Liabilities		
Accounts payable	\$ 5,622	\$ -
Salaries and benefits payable	106,127	105,544
Unearned revenue	<u>101,713</u>	<u>90,637</u>
Total liabilities	<u><u>213,462</u></u>	<u><u>196,181</u></u>
Fund Balance		
Nonspendable	45,582	49,221
Restricted	<u>628,973</u>	<u>602,901</u>
Total fund balance	<u><u>674,555</u></u>	<u><u>652,122</u></u>
Total liabilities and fund balance	<u><u>\$ 888,017</u></u>	<u><u>\$ 848,303</u></u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2018
(with Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget - Over (Under)	Amounts
Revenues					
Other local and county revenues	\$ 500	\$ 5,500	\$ 19,176	\$ 13,676	\$ 9,675
Revenue from state sources	245,000	246,000	273,238	27,238	229,977
Revenue from federal sources	2,320,500	2,326,000	2,146,089	(179,911)	2,220,654
Sales and other conversion of assets	2,184,000	2,102,000	2,038,572	(63,428)	2,084,558
Total revenues	<u>4,750,000</u>	<u>4,679,500</u>	<u>4,477,075</u>	<u>(202,425)</u>	<u>4,544,864</u>
Expenditures					
Current					
Food service	4,762,865	4,571,322	4,301,406	(269,916)	4,534,624
Capital outlay					
Food service	87,135	297,135	153,236	(143,899)	32,160
Total expenditures	<u>4,850,000</u>	<u>4,868,457</u>	<u>4,454,642</u>	<u>(413,815)</u>	<u>4,566,784</u>
Net change in fund balance	<u>\$ (100,000)</u>	<u>\$ (188,957)</u>	22,433	<u>\$ 211,390</u>	(21,920)
Fund Balance					
Beginning of year			<u>652,122</u>		<u>674,042</u>
End of year			<u>\$ 674,555</u>		<u>\$ 652,122</u>

Independent School District No. 720
Balance Sheet - Community Service Fund
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 736,201	\$ 635,400
Current property taxes receivable	281,937	286,306
Delinquent property taxes receivable	1,438	1,761
Accounts receivable	7,412	-
Due from Department of Education	<u>89,979</u>	<u>95,261</u>
Total assets	<u><u>\$ 1,116,967</u></u>	<u><u>\$ 1,018,728</u></u>
Liabilities		
Accounts payable	\$ 22,193	\$ 4,720
Salaries and benefits payable	155,268	163,872
Due to other Minnesota school districts	-	64
Due to other governmental units	425	-
Unearned revenue	<u>68,534</u>	<u>72,001</u>
Total liabilities	<u><u>246,420</u></u>	<u><u>240,657</u></u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	590,824	586,043
Unavailable revenue - delinquent property taxes	<u>1,438</u>	<u>1,761</u>
Total deferred inflows of resources	<u><u>592,262</u></u>	<u><u>587,804</u></u>
Fund Balance		
Restricted for		
Early Childhood and Family		
Education Programs	136,180	120,562
School Readiness	321,606	223,272
Unassigned	<u>(179,501)</u>	<u>(153,567)</u>
Total fund balance	<u><u>278,285</u></u>	<u><u>190,267</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 1,116,967</u></u>	<u><u>\$ 1,018,728</u></u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2018
(with Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget - Over (Under)	Amounts
Revenues					
Local property taxes	\$ 561,985	\$ 586,041	\$ 580,649	\$ (5,392)	\$ 542,294
Other local and county revenues	1,430,451	1,420,601	1,283,625	(136,976)	1,242,198
Revenue from state sources	907,564	912,670	923,521	10,851	975,535
Sales and other conversion of assets	-	-	5,856	5,856	-
Total revenues	<u>2,900,000</u>	<u>2,919,312</u>	<u>2,793,651</u>	<u>(125,661)</u>	<u>2,760,027</u>
Expenditures					
Current					
Community education and services	2,845,000	2,817,272	2,701,273	(115,999)	2,653,638
Capital outlay					
Community education and services	5,000	9,000	4,360	(4,640)	16,496
Total expenditures	<u>2,850,000</u>	<u>2,826,272</u>	<u>2,705,633</u>	<u>(120,639)</u>	<u>2,670,134</u>
Net change in fund balance	<u>\$ 50,000</u>	<u>\$ 93,040</u>	88,018	<u>\$ (5,022)</u>	89,893
Fund Balance					
Beginning of year			<u>190,267</u>		<u>100,374</u>
End of year			<u>\$ 278,285</u>		<u>\$ 190,267</u>

Independent School District No. 720
Balance Sheet - Debt Service Fund
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	2018	2017
Assets		
Cash and investments	\$ 13,462,867	\$ 12,674,348
Cash with fiscal agent	-	17,570,927
Current property taxes receivable	9,721,634	9,281,165
Delinquent property taxes receivable	46,922	54,584
Due from Department of Education	145,167	148,971
	<u>23,376,590</u>	<u>39,729,995</u>
Total assets	<u>\$ 23,376,590</u>	<u>\$ 39,729,995</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	\$ 20,341,204	\$ 19,004,667
Unavailable revenue - delinquent property taxes	46,922	54,584
Total deferred inflows of resources	<u>20,388,126</u>	<u>19,059,251</u>
Fund Balance		
Restricted	<u>2,988,464</u>	<u>20,670,744</u>
Total deferred inflows of resources and fund balance	<u>\$ 23,376,590</u>	<u>\$ 39,729,995</u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Debt Service Fund
Year Ended June 30, 2018
(with Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget - Over (Under)	Amounts
Revenues					
Local property taxes	\$ 18,991,591	\$ 18,993,661	\$ 18,825,143	\$ (168,518)	\$ 18,728,951
Other local and county revenues	30,000	54,671	244,418	189,747	150,709
Revenue from state sources	1,344,734	1,451,668	1,451,668	-	1,494,488
Total revenues	<u>20,366,325</u>	<u>20,500,000</u>	<u>20,521,229</u>	<u>21,229</u>	<u>20,374,148</u>
Expenditures					
Debt service					
Principal	12,760,000	29,780,000	29,780,000	-	11,135,000
Interest and fiscal charges	7,755,000	8,425,000	8,423,509	(1,491)	8,647,657
Total expenditures	<u>20,515,000</u>	<u>38,205,000</u>	<u>38,203,509</u>	<u>(1,491)</u>	<u>19,782,657</u>
Net change in fund balance	<u>\$ (148,675)</u>	<u>\$ (17,705,000)</u>	<u>(17,682,280)</u>	<u>\$ 22,720</u>	<u>591,491</u>
Fund Balance					
Beginning of year			<u>20,670,744</u>		<u>20,079,253</u>
End of year			<u>\$ 2,988,464</u>		<u>\$ 20,670,744</u>

Independent School District No. 720
Balance Sheet - Capital Projects Fund
June 30, 2018
(with Comparative Totals as of June 30, 2017)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and investments	\$ 17,016,420	\$ 63,205,276
Interest receivable	<u>51,981</u>	<u>159,695</u>
Total assets	<u><u>\$ 17,068,401</u></u>	<u><u>\$ 63,364,971</u></u>
Liabilities		
Accounts payable	\$ 262,682	\$ 475,739
Contracts payable	<u>5,591,618</u>	<u>9,523,232</u>
Total liabilities	<u><u>5,854,300</u></u>	<u><u>9,998,971</u></u>
Fund Balance		
Restricted	<u>11,214,101</u>	<u>53,366,000</u>
Total liabilities and fund balance	<u><u>\$ 17,068,401</u></u>	<u><u>\$ 63,364,971</u></u>

Independent School District No. 720
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Capital Projects Fund
Year Ended June 30, 2018
(with Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018			2017	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	\$ 450,000	\$ 350,000	\$ 794,659	\$ 444,659	\$ 598,814
Expenditures					
Current					
Sites and buildings	400,000	405,500	401,154	(4,346)	440,785
Capital outlay					
Sites and buildings	49,600,000	44,594,500	42,545,404	(2,049,096)	47,299,858
Total expenditures	50,000,000	45,000,000	42,946,558	(2,053,442)	47,740,643
Net change in fund balance	\$ (49,550,000)	\$ (44,650,000)	(42,151,899)	\$ 2,498,101	(47,141,829)
Fund Balance					
Beginning of year			53,366,000		100,507,829
End of year			\$ 11,214,101		\$ 53,366,000

INTERNAL SERVICE FUNDS

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Independent School District No. 720
Combining Statement of
Net Position - Internal Service Funds
As of June 30, 2018

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Assets			
Current			
Cash and cash equivalents	\$ 428,700	\$ 96,541	\$ 525,241
Liabilities			
Current			
Accounts payable	\$ 2,017	\$ -	\$ 2,017
Incurred but not reported claims	1,039,575	37,629	1,077,204
Total liabilities	1,041,592	37,629	1,079,221
Net Position			
Unrestricted	(612,892)	58,912	(553,980)
Total liabilities and net position	\$ 428,700	\$ 96,541	\$ 525,241

Independent School District No. 720
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2018

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Operating Revenue			
Charges for services	\$ 8,007,667	\$ 856,804	\$ 8,864,471
Operating Expenses			
Insurance	8,876,977	839,933	9,716,910
Operating income (loss)	(869,310)	16,871	(852,439)
Nonoperating Revenues			
Investment Income	1,178	213	1,391
Change in net position	(868,132)	17,084	(851,048)
Net Position			
Beginning of year	255,240	41,828	297,068
End of year	\$ (612,892)	\$ 58,912	\$ (553,980)

Independent School District No. 720
Combining Statement of Cash Flows -
Internal Service Funds
Year Ended June 30, 2018

	Internal Service Funds		
	Health Insurance	Dental Insurance	Total
Cash Flows - Operating Activities			
Receipts from district contributions	\$ 8,007,667	\$ 856,965	\$ 8,864,632
Employee claims paid	(8,586,188)	(833,247)	(9,419,435)
Net cash flows - operating activities	(578,521)	23,718	(554,803)
Cash Flows - Investing Activities			
Interest received	1,178	213	1,391
Net change in cash and cash equivalents	(577,343)	23,931	(553,412)
Cash and Cash Equivalents			
Beginning of year	1,006,043	72,610	1,078,653
End of year	<u>\$ 428,700</u>	<u>\$ 96,541</u>	<u>\$ 525,241</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ (869,310)	\$ 16,871	\$ (852,439)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Accounts payable	431	-	431
Incurred but not reported claims	290,358	6,686	297,044
Accounts receivable	-	161	161
Net adjustments	<u>290,789</u>	<u>6,847</u>	<u>297,636</u>
Net cash flows - operating activities	<u>\$ (578,521)</u>	<u>\$ 23,718</u>	<u>\$ (554,803)</u>

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UFARS COMPLIANCE TABLE

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Independent School District No. 720
Uniform Financial Accounting and Reporting Standard
Compliance Table
Year Ended June 30, 2018

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 General Fund				06 Building Construction Fund			
Total revenue	\$ 95,073,678	\$ 95,073,678	\$ -	Total revenue	\$ 794,659	\$ 794,659	\$ -
Total expenditures	94,233,448	94,233,446	2	Total expenditures	42,946,558	42,946,559	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable fund balance	208,934	208,934	-	460 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
406 Health and Safety	-	-	-	409 Alternative Facilities Program	-	-	-
407 Capital Projects Levy	(106,858)	(106,858)	-	413 Building Projects Funded by COP/LP	-	-	-
408 Cooperative Programs	-	-	-	467 Long-term Facilities Maintenance	-	-	-
409 Alternative Facility Program	-	-	-	<i>Restricted:</i>			
413 Building Projects Funded by COP/LP	-	-	-	464 Restricted fund balance	11,214,101	11,214,101	-
414 Operating Debt	-	-	-	<i>Unassigned:</i>			
416 Levy Reduction	-	-	-	463 Unassigned fund balance	-	-	-
417 Taconite Building Maintenance	-	-	-				
424 Operating Capital	702,109	702,109	-	07 Debt Service Fund			
426 \$25 Taconite	-	-	-	Total revenue	\$ 20,521,229	\$ 20,521,229	\$ -
427 Disabled Accessibility	-	-	-	Total expenditures	38,203,509	38,203,508	1
428 Learning and Development	-	-	-	<i>Nonspendable:</i>			
434 Area Learning Center	-	-	-	460 Nonspendable fund balance	-	-	-
435 Contracted Alternative Programs	-	-	-	<i>Restricted/reserved:</i>			
436 State Approved Alternative Program	-	-	-	425 Bond refundings	-	-	-
438 Gifted and Talented	-	-	-	433 Maximum Effort Loan	-	-	-
440 Teacher Development and Evaluation	-	-	-	451 QZAB payments	-	-	-
441 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
445 Career Technical Programs	-	-	-	464 Restricted fund balance	2,988,464	2,988,464	-
448 Achievement and Integration Revenue	-	-	-	<i>Unassigned:</i>			
449 Safe Schools Levy	-	-	-	463 Unassigned fund balance	-	-	-
450 Transition for Pre-Kindergarten	-	-	-				
451 QZAB Payments	-	-	-	08 Trust Fund			
452 OPEB Liabilities not Held in Trust	-	-	-	Total revenue	\$ 2,371	\$ 2,372	\$ (1)
453 Unfunded Severance and Retirement Levy	-	-	-	Total expenditures	12,000	12,000	-
459 Basic Skills Extended Time	-	-	-	<i>Unrestricted:</i>			
467 Long-term Facilities Maintenance	(378,012)	(378,012)	-	422 Net position	17,060	17,061	(1)
472 Medical Assistance	152,874	152,874	-				
475 Title VII - Impact Aid	-	-	-	20 Internal Service Fund			
476 Payments in Lieu of Taxes	-	-	-	Total revenue	\$ 8,865,862	\$ 8,865,862	\$ -
<i>Restricted</i>				Total expenditures	9,716,910	9,716,909	1
464 Restricted fund balance	-	-	-	<i>Unrestricted:</i>			
<i>Committed:</i>				422 Net position	(553,980)	(553,981)	1
418 Committed for separation	-	-	-				
461 Committed	-	-	-	25 OPEB Revocable Trust			
<i>Assigned:</i>				Total revenue	\$ -	\$ -	\$ -
462 Assigned fund balance	185,388	185,388	-	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Unrestricted:</i>			
422 Unassigned fund balance	2,069,198	2,069,200	(2)	422 Net position	-	-	-
02 Food Service Fund				45 OPEB Irrevocable Trust			
Total revenue	\$ 4,477,075	\$ 4,477,075	\$ -	Total revenue	\$ 302,837	\$ 302,837	\$ -
Total expenditures	4,454,642	4,454,641	1	Total expenditures	185,802	185,802	-
<i>Nonspendable:</i>				<i>Unrestricted:</i>			
460 Nonspendable fund balance	45,582	45,582	-	422 Net position	4,843,256	4,843,256	-
<i>Restricted/reserved:</i>							
452 OPEB liabilities not held in trust	-	-	-	47 OPEB Debt Service			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
464 Restricted fund balance	628,973	628,974	(1)	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Nonspendable:</i>			
463 Unassigned fund balance	-	-	-	460 Nonspendable fund balance	-	-	-
				<i>Restricted:</i>			
04 Community Service Fund				425 Bond refundings	-	-	-
Total revenue	\$ 2,793,651	\$ 2,793,651	\$ -	464 Restricted fund balance	-	-	-
Total expenditures	2,705,633	2,705,633	-	<i>Unassigned:</i>			
460 Nonspendable fund balance	-	-	-	463 Unassigned fund balance	-	-	-
<i>Restricted/reserved:</i>							
426 \$25 Taconite	-	-	-				
431 Community Education	(179,501)	(179,502)	1				
432 ECFE	136,180	136,180	-				
440 Teacher Development and Evaluations	-	-	-				
444 School Readiness	321,606	321,606	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted fund balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-				

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STATISTICAL SECTION

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Independent School District No. 720
Statistical Section (Unaudited)
June 30, 2018

III. Statistical Section (Unaudited)

This part of the Independent School District No. 720's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. The statistical section includes information related to these five sections:

<u>Contents</u>	<u>Page</u>
Financial Trends	
This section contains trend information to help the reader understand how the District's financial performance and well-being have changed over time.	128
Revenue Capacity	
This section contains information to help the reader assess the District's most significant local revenue source, property taxes.	137
Debt Capacity	
This section presents information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	144
Demographic and Economic Information	
This section contains demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	148
Operating Information	
This section contains service and infrastructure data to help the reader understand how the information in the District's financial report relates to services provided and activities performed.	150

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year.

Independent School District #720
Shakopee Public Schools
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 11,437,140	\$ 13,164,032	\$ 15,056,846	\$ 18,615,135
Restricted	5,234,581	2,400,883	2,347,262	2,470,265
Unrestricted	6,181,158	9,508,637	11,515,977	12,968,400
Total governmental activities net position	<u>\$ 22,852,879</u>	<u>\$ 25,073,552</u>	<u>\$ 28,920,085</u>	<u>\$ 34,053,800</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 21,509,142	\$ 21,840,189	\$ 23,041,568	\$ 26,336,717	\$ 35,186,072	\$ 45,526,236
2,103,662	2,411,568	3,150,431	1,241,034	-	1,970,243
10,655,933	8,100,912	(45,145,697)	(51,864,194)	(85,542,839)	(114,835,656)
<u>\$ 34,268,737</u>	<u>\$ 32,352,669</u>	<u>\$ (18,953,698)</u>	<u>\$ (24,286,443)</u>	<u>\$ (50,356,767)</u>	<u>\$ (67,339,177)</u>

Independent School District #720
Shakopee Public Schools
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Expenses				
Governmental activities				
Administration	\$ 3,689,553	\$ 3,649,278	\$ 3,647,825	\$ 3,320,105
District support services	519,760	612,286	422,226	1,123,052
Regular instruction	29,687,266	29,594,015	31,680,570	35,835,287
Vocational education instruction	540,568	526,251	482,322	491,687
Special education instruction	11,925,189	12,273,562	11,791,040	13,004,305
Instructional support services	3,424,674	3,573,266	3,859,985	3,785,454
Pupil support services	4,647,751	4,603,149	4,817,243	5,653,320
Sites and buildings	4,877,314	4,335,243	5,664,493	4,503,714
Fiscal and other fixed cost programs	105,626	107,952	112,654	125,742
Food service	2,736,350	2,834,998	2,935,096	3,215,446
Community service	1,538,713	1,635,378	1,707,307	1,829,186
Depreciation not allocated to other functions	3,985,408	3,965,123	3,991,808	184,101
Interest and fiscal charges on long-term debt	7,255,219	6,884,332	6,292,484	6,520,580
Total governmental activities expenses	<u>74,933,391</u>	<u>74,594,833</u>	<u>77,405,053</u>	<u>79,591,979</u>
Program Revenues				
Governmental activities				
Charges for services				
Administration	-	21,975	20,801	23,308
District support services	155,283	8,469	7,839	5,684
Regular instruction	259,882	240,989	777,457	816,793
Vocational education instruction	-	-	5,539	1,916
Special education instruction	-	16,620	23,168	12,198
Instructional support services	-	-	1,489	773
Pupil support services	-	-	8,833	8,023
Sites and buildings	-	127,194	16,950	40,013
Food service	1,496,902	1,505,059	1,614,861	1,637,500
Community service	538,230	543,761	632,333	704,736
Operating grants and contributions	6,779,729	16,536,678	18,434,638	18,311,523
Capital grants and contributions	-	380,744	69,194	30,552
Total governmental activities program revenues	<u>9,230,026</u>	<u>19,381,489</u>	<u>21,613,102</u>	<u>21,593,019</u>
Total governmental activities net expense	<u>(65,703,365)</u>	<u>(55,213,344)</u>	<u>(55,791,951)</u>	<u>(57,998,960)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes				
General purpose	6,936,688	7,066,443	9,912,260	7,385,811
Community service	419,130	588,453	702,304	468,015
Debt service	10,727,596	11,611,209	12,266,179	12,356,247
General grants and aids	45,784,337	33,519,501	36,277,413	41,236,447
Investment earnings	2,095,202	907,105	270,628	103,512
Gain on sale of capital assets	-	1,074	6,000	4,000
Other general revenues	158,844	3,740,232	203,700	1,578,643
Total governmental activities	<u>66,121,797</u>	<u>57,434,017</u>	<u>59,638,484</u>	<u>63,132,675</u>
Total Net (Expense) Revenue	<u>418,432</u>	<u>2,220,673</u>	<u>3,846,533</u>	<u>5,133,715</u>
Net position - beginning, as previously stated	21,229,642	22,852,879	25,073,552	28,920,085
Change in accounting principle	<u>1,204,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position - beginning, as restated	<u>22,434,447</u>	<u>22,852,879</u>	<u>25,073,552</u>	<u>28,920,085</u>
Net position - ending	<u>\$ 22,852,879</u>	<u>\$ 25,073,552</u>	<u>\$ 28,920,085</u>	<u>\$ 34,053,800</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 4,196,548	\$ 4,623,140	\$ 5,547,166	\$ 5,955,670	\$ 7,523,283	\$ 7,340,382
1,293,572	1,471,090	1,912,672	2,122,209	2,456,591	2,106,366
37,728,992	40,000,664	42,847,228	45,554,644	63,959,236	63,492,106
458,572	725,118	703,295	726,293	1,286,927	945,260
14,503,636	15,085,785	15,515,994	17,425,823	25,091,784	24,552,734
4,731,832	4,921,635	6,047,476	7,548,519	10,762,588	9,547,642
5,768,903	6,213,364	6,905,267	7,377,729	8,401,426	8,625,780
5,785,361	6,880,602	7,807,706	7,337,340	6,929,012	8,170,286
130,635	181,473	215,914	211,184	191,091	199,020
3,458,450	3,470,807	3,794,772	4,158,297	4,724,099	4,480,777
1,891,348	1,838,544	2,056,634	2,322,011	3,286,539	3,303,658
279,962	517,536	628,829	787,506	1,265,819	1,589,799
7,523,483	7,146,210	5,254,492	8,055,214	7,322,643	6,559,035
87,751,294	93,075,968	99,237,445	109,582,439	143,201,038	140,912,845
26,300	23,151	23,040	14,225	12,993	13,376
8,246	8,568	35,897	35,292	25,189	25,579
852,858	981,266	448,664	474,275	438,789	528,522
-	175	300	37	140	328
24,748	1,810	228,614	179,203	200,061	3,361
696	128	614	562	243	68
8,634	10,859	29,502	107,857	221,004	228,447
17,300	17,900	13	59	32,413	61,245
1,642,702	1,747,412	1,958,315	2,035,210	2,084,558	2,038,572
718,063	733,494	787,156	1,016,566	1,229,308	1,265,406
19,506,678	20,373,579	21,935,044	24,000,053	25,885,369	23,511,826
5,000	38,845	-	-	470,297	979,803
22,811,225	23,937,187	25,447,159	27,863,339	30,600,364	28,656,533
(64,940,069)	(69,138,781)	(73,790,286)	(81,719,100)	(112,600,674)	(112,256,312)
8,666,535	5,445,658	9,264,493	9,114,215	13,310,119	13,953,937
504,862	259,610	523,173	517,493	542,360	580,326
13,906,651	12,933,157	12,470,062	12,620,244	18,735,124	18,817,481
41,587,955	47,608,165	51,064,387	53,137,665	59,536,734	60,765,061
344,424	331,125	119,007	938,932	657,661	750,641
200	119,370	13,580	21,600	4,022	304,669
614,821	525,628	33,402	36,206	78,576	101,787
65,625,448	67,222,713	73,488,104	76,386,355	92,864,596	95,273,902
685,379	(1,916,068)	(302,182)	(5,332,745)	(19,736,078)	(16,982,410)
34,053,800	34,268,737	32,352,669	(18,953,698)	(24,286,443)	(50,356,767)
(470,442)	-	(51,004,185)	-	(6,334,246)	-
33,583,358	34,268,737	(18,651,516)	(18,953,698)	(30,620,689)	(50,356,767)
\$ 34,268,737	\$ 32,352,669	\$ (18,953,698)	\$ (24,286,443)	\$ (50,356,767)	\$ (67,339,177)

Independent School District #720
Shakopee Public Schools
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ 24,214
Restricted (formerly reserved)	1,511,956	1,263,902	962,795	1,079,553
Assigned (formerly designated)	-	-	-	-
Unassigned (formerly unreserved)	7,965,010	7,542,398	9,572,538	12,251,872
Total general fund	<u>\$ 9,476,966</u>	<u>\$ 8,806,300</u>	<u>\$ 10,535,333</u>	<u>\$ 13,355,639</u>
All Other Governmental Funds				
Nonspendable				
Capital project funds	\$ -	\$ -	\$ 798,799	\$ 222,856
Nonmajor funds	-	-	24,686	26,858
Restricted				
Capital project funds	38,142,544	-	23,746,242	19,209,028
Debt service funds	12,885,180	-	2,185,834	46,487,037
Nonmajor funds	238,384	272,743	576,293	505,406
Unassigned reported in				
Capital project funds	-	36,016,622	-	-
Debt service funds	1,037,007	1,657,105	-	-
Nonmajor funds	274,160	262,183	-	-
Total all other governmental funds	<u>\$ 52,577,275</u>	<u>\$ 38,208,653</u>	<u>\$ 27,331,854</u>	<u>\$ 66,451,185</u>
 Total all funds	 <u>\$ 62,054,241</u>	 <u>\$ 47,014,953</u>	 <u>\$ 37,867,187</u>	 <u>\$ 79,806,824</u>

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 350,000	\$ 96	\$ 68,261	\$ 115,556	\$ 657,884	\$ 208,934
578,923	1,905,984	2,158,125	1,241,034	-	854,983
-	-	-	-	20,882	185,388
11,555,217	8,530,840	5,548,137	1,164,415	388,488	1,584,328
<u>\$ 12,484,140</u>	<u>\$ 10,436,920</u>	<u>\$ 7,774,523</u>	<u>\$ 2,521,005</u>	<u>\$ 1,067,254</u>	<u>\$ 2,833,633</u>
\$ 139,501	\$ 139,501	\$ 117,702	\$ 77,687	\$ -	\$ -
30,880	33,057	33,832	29,846	49,221	45,582
14,207,934	20,592,233	8,255,391	100,430,142	53,366,000	11,214,101
90,039,936	45,763,302	2,937,288	20,079,253	20,670,744	2,988,464
363,285	463,128	505,136	762,437	946,735	1,086,759
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(75,851)	(17,867)	(153,567)	(179,501)
<u>\$ 104,781,536</u>	<u>\$ 66,991,221</u>	<u>\$ 11,773,498</u>	<u>\$ 121,361,498</u>	<u>\$ 74,879,133</u>	<u>\$ 15,155,405</u>
<u>\$ 117,265,676</u>	<u>\$ 77,428,141</u>	<u>\$ 19,548,021</u>	<u>\$ 123,882,503</u>	<u>\$ 75,946,387</u>	<u>\$ 17,989,038</u>

Independent School District #720
Shakopee Public Schools
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year			
	2009	2010	2011	2012
Revenues				
Local sources				
Property taxes	\$ 17,972,063	\$ 19,104,727	\$ 22,894,058	\$ 20,531,670
Earnings on investments	2,249,217	-	-	-
Other	2,609,141	2,256,931	1,858,844	1,877,808
State sources	49,762,123	46,845,544	50,290,046	55,823,400
Federal sources	2,801,943	6,835,260	4,418,360	5,031,601
Sales and other conversion of assets	-	1,507,473	1,746,697	1,778,812
Total revenues	<u>75,394,487</u>	<u>76,549,935</u>	<u>81,208,005</u>	<u>85,043,291</u>
Expenditures				
Current				
Administration	3,708,544	3,623,526	3,646,172	3,195,735
District support services	519,760	615,427	549,423	1,034,206
Regular instruction	32,978,568	29,547,022	30,407,294	31,908,848
Vocational education instruction	540,568	523,552	481,814	490,161
Special education instruction	11,925,189	12,185,750	12,365,973	12,820,354
Instructional support services	3,642,544	3,117,221	3,195,334	3,282,279
Pupil support services	4,672,734	4,603,285	4,814,363	5,463,289
Sites and buildings	5,111,999	3,966,001	4,307,340	4,273,353
Fiscal and other fixed cost programs	105,626	107,952	112,654	125,742
Food service	2,721,962	2,830,636	2,929,746	3,187,982
Community service	1,535,615	1,628,953	1,700,616	1,742,213
Capital outlay	4,774,642	4,258,497	13,633,606	6,812,841
Debt service				
Principal	4,345,000	4,680,000	5,755,000	6,700,000
Interest and fiscal charges	7,309,403	7,247,475	6,462,436	6,494,170
Total expenditures	<u>83,892,154</u>	<u>78,935,297</u>	<u>90,361,771</u>	<u>87,531,173</u>
Excess (deficiency) of revenues over (under) expenditures	(8,497,667)	(2,385,362)	(9,153,766)	(2,487,882)
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	1,074	6,000	4,000
Bonds refunded	-	(12,655,000)	-	-
Proceeds from bond issuance	-	-	-	39,000,000
Bond premium	-	-	-	5,423,519
Bond discount	-	-	-	-
Proceeds from certificate of participation	-	-	-	-
Premium on certificate of participation	-	-	-	-
Capital lease proceeds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(12,653,926)</u>	<u>6,000</u>	<u>44,427,519</u>
Net change in fund balances	<u>\$ (8,497,667)</u>	<u>\$ (15,039,288)</u>	<u>\$ (9,147,766)</u>	<u>\$ 41,939,637</u>
Debt service as a percentage of noncapital expenditures	14.7%	16.0%	15.9%	16.3%

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 23,015,692	\$ 18,718,986	\$ 22,314,253	\$ 22,312,062	\$ 32,575,051	\$ 33,363,243
-	-	-	-	-	-
2,165,621	2,277,734	2,331,605	3,468,932	3,810,443	4,005,832
57,639,830	64,588,313	68,614,824	72,135,291	77,109,197	79,556,814
3,790,555	3,656,143	3,600,238	4,172,968	4,829,246	4,425,124
1,762,419	1,879,915	2,117,288	2,198,848	2,281,609	2,309,279
88,374,117	91,121,091	98,978,208	104,288,101	120,605,546	123,660,292
4,059,643	4,521,361	5,437,582	5,759,082	5,648,428	5,452,115
1,178,509	1,348,643	1,780,294	2,067,743	2,175,658	1,992,860
33,171,305	35,377,923	38,542,795	40,739,884	41,499,067	41,375,223
457,254	718,252	683,688	747,306	868,774	633,155
14,280,976	14,829,013	15,337,996	17,154,198	18,342,688	18,062,751
4,583,789	4,544,911	5,405,273	6,459,308	8,185,448	7,276,861
5,582,461	6,044,213	6,727,114	7,259,476	7,614,151	7,869,648
4,564,335	5,361,523	5,742,925	6,151,407	5,852,566	6,225,856
130,635	181,473	215,914	211,184	191,091	199,020
3,392,964	3,421,835	3,740,537	4,098,498	4,534,624	4,301,406
1,795,498	1,746,124	1,974,288	2,247,122	2,653,638	2,701,273
6,691,205	8,452,578	14,020,032	13,601,299	52,761,602	45,992,413
7,725,000	49,105,000	63,095,000	9,718,773	12,528,917	31,546,121
7,737,467	8,791,140	7,222,016	7,965,462	9,136,642	8,915,088
95,351,041	144,443,989	169,925,454	124,180,742	171,993,294	182,543,790
(6,976,924)	(53,322,898)	(70,947,246)	(19,892,641)	(51,387,748)	(58,883,498)
200	119,370	13,580	21,600	4,022	508,669
-	-	-	-	-	-
38,325,000	-	12,055,000	112,185,000	-	-
6,110,576	-	998,546	10,805,831	-	-
-	-	-	(24,812)	-	-
-	13,175,000	-	-	-	-
-	190,993	-	-	-	-
-	-	-	1,239,504	3,447,610	417,480
44,435,776	13,485,363	13,067,126	124,227,123	3,451,632	926,149
\$ 37,458,852	\$ (39,837,535)	\$ (57,880,120)	\$ 104,334,482	\$ (47,936,116)	\$ (57,957,349)
17.4%	42.6%	45.1%	16.0%	18.0%	29.3%

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Independent School District #720
Shakopee Public Schools
Taxable Market Value of Properties
Last Ten Fiscal Years
(Unaudited)

Payable Year	(1) Residential Property	(2) Commercial Property	Total Assessed Value	Total Direct School Tax Rate
2009	\$ 3,601,356,000	\$ 812,212,900	\$ 4,413,568,900	27.274%
2010	3,276,302,800	952,886,100	4,229,188,900	29.352%
2011	3,116,975,600	962,850,900	4,079,826,500	31.182%
2012	3,044,731,900	800,998,000	3,845,729,900	35.512%
2013	2,739,797,200	796,576,600	3,536,373,800	39.715%
2014	2,841,717,800	844,413,500	3,686,131,300	36.963%
2015	3,252,532,100	897,436,700	4,149,968,800	35.577%
2016	3,423,877,400	949,275,900	4,373,153,300	53.484%
2017	3,473,072,500	1,099,461,700	4,572,534,200	49.282%
2018	3,703,806,500	1,153,737,200	4,857,543,700	52.141%

Notes:

- (1) Residential includes single family homes, townhomes and condominiums, and all other property including vacant land, farm, utilities, personal property and railroad property.
- (2) Commercial property above includes both commercial and industrial property.
- (3) The District has presented taxable market value, which is the best information available to represent estimated actual value of property, as the Counties do not provide this information to the District.

Source: Scott County Department of Property Tax and Public Records

Independent School District #720
Shakopee Public Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Unaudited)

ISD No. 720 Direct Rate							Overlapping Rates	
Taxes Payable Year	RMV General Fund Rate	NTC General Fund Rate	NTC Community Service	NTC General Obligation Debt Service	NTC OPEB	Total Direct School Tax Rate	City of Shakopee	City of Savage
2009	0.100	2.786	0.995	23.493	-	27.274	32.630	46.013
2010	0.120	2.911	1.017	25.424	-	29.352	33.710	47.335
2011	0.139	3.061	0.996	27.125	-	31.182	34.731	48.278
2012	0.125	3.410	1.129	30.973	-	35.512	36.655	51.123
2013	0.145	7.529	1.210	30.976	-	39.715	41.990	55.508
2014	0.128	7.694	1.181	28.088	-	36.963	41.437	55.278
2015	0.100	8.222	1.070	26.285	-	35.577	37.862	51.742
2016	0.123	14.369	1.104	38.011	-	53.484	37.902	49.905
2017	0.115	13.945	1.057	34.280	-	49.282	38.522	47.841
2018	0.128	15.228	1.042	35.870	-	52.140	37.212	47.117

Notes:

- (1) Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all of the District's property owners (e.g., the rates for special districts apply only to the proportion of the District's property owners whose property is located within the geographic boundaries of the special district).

Sources: Overlapping Rate Data provided by the Scott County Department of Property Tax and Public Records School Tax Report from County Auditor's Office

Overlapping Rates

Prior Lake	Louisville Township	Jackson Township	Sand Creek Township	Metro Council	Metro Transit	Scott County	Total Direct and Overlapping Tax Rate City of Shakopee
27.947	4.548	15.130	15.406	0.803	1.203	32.684	94.59
29.442	4.635	10.546	15.699	0.795	1.381	33.237	98.47
30.710	4.724	10.209	17.362	0.828	1.440	35.541	103.72
29.740	4.810	13.212	18.660	0.959	1.647	38.802	113.58
31.887	4.896	12.207	18.864	1.017	1.744	40.674	125.14
30.736	4.507	12.719	18.717	1.034	1.624	39.720	120.78
31.988	4.641	11.162	18.059	0.959	1.524	36.628	112.55
31.953	4.959	10.843	17.476	0.921	1.485	36.175	129.97
32.685	5.004	12.129	17.761	0.850	1.407	35.896	125.96
33.039	4.918	12.681	17.837	0.853	1.410	35.896	127.51

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Independent School District #720
Shakopee Public Schools
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	Property Classification	2018			2009		
		Tax Capacity	Percentage of Total Tax Capacity	Rank	Tax Capacity	Percentage of Total Tax Capacity	Rank
RELP Shakopee, LLC	Commercial	\$ 1,199,250	1.98%	1	-	-	-
Xcel Energy	Utility	952,512	1.57%	2	\$ 429,010	1.19%	2
Rahr Malting Company	Commercial	665,420	1.10%	3	398,582	1.11%	3
St. Francis Regional Medical Center	Commercial	500,500	0.82%	4	-	-	-
Duke Realty	Commercial	473,714	0.78%	5	-	-	-
J & J Minneapolis LLC	Commercial	470,100	0.77%	6	-	-	-
WOP Addison LLC	Commercial	453,756	0.75%	7	-	-	-
Seagate Technology LLC	Commercial	439,250	0.72%	8	479,250	1.33%	1
ESSJAY MSPS LLC	Commercial	435,250	0.72%	9	-	-	-
Lothenbach Properties & C/O Challenge Printing Inc.	Commercial	431,250	0.71%	10	-	-	-
Certain Teed Corporation	Commercial	-	0.00%	-	316,294	0.88%	4
OIRE Minnesota LLC	Industrial	-	0.00%	-	299,780	0.83%	5
Shakopee Crossing LTD Partnership	Commercial	-	0.00%	-	299,650	0.83%	6
K Mart Corporation	Industrial	-	0.00%	-	293,992	0.82%	7
Inland Shak Valley Marketplace	Commercial	-	0.00%	-	280,054	0.78%	8
Cedar Fair Limited Partnership	Commercial	-	0.00%	-	258,800	0.72%	9
Individual	Industrial	-	0.00%	-	226,570	0.63%	10
		<u>\$ 6,021,002</u>	<u>9.92%</u>		<u>\$ 3,281,982</u>	<u>9.14%</u>	

Source: Scott County Department of Property Tax and Public Records

Independent School District #720
Shakopee Public Schools
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year						
	General Fund RMV Voter	General Fund RMV Other	General Fund Basic Levy	Community Service Levy	Debt Service Fund Levy	Total Tax Levy (1)	
2009	\$ 4,300,485	\$ 1,246,707	\$ 1,425,398	\$ 509,091	\$ 12,021,833	\$ 19,503,514	(2)
2010	4,256,517	1,265,319	1,441,242	503,358	12,589,442	20,055,878	(2)
2011	4,760,430	1,370,198	1,469,727	478,007	13,022,791	21,101,153	(2)
2012	4,538,364	1,119,477	1,541,595	510,690	14,004,282	21,714,407	(2)
2013	4,538,113	1,385,315	3,145,294	505,382	12,940,079	22,514,181	(2)
2014	-	5,565,310	3,429,210	526,412	12,518,345	22,039,277	(2)
2015	-	4,854,563	4,042,762	526,061	12,922,978	22,346,365	(2)
2016	2,500,000	5,951,726	4,647,062	548,983	18,906,524	32,554,296	(2)
2017	3,011,717	5,991,217	4,719,435	586,043	19,004,667	33,313,079	(2)
2018	3,206,596	7,009,394	5,423,209	590,824	20,341,203	36,571,228	(2)

Notes:

(1) State credits are included in the operating levy

(2) Original Gross Levy

Source: Scott County Department of Property Tax and Public Records - School Tax Report; State Auditor - Taxes Receivable Report

Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percentage of Levy Outstanding
Current Tax Collection	Percentage of Levy		Total Tax Collection	Percentage of Levy		
\$ 9,470,602	48.6%	\$ 9,642,944	\$ 19,113,546	98.00%	\$ 389,969	2.04%
9,666,158	48.2%	9,849,374	19,515,532	97.31%	540,346	2.77%
10,333,871	49.0%	10,334,820	20,668,691	97.95%	432,462	2.09%
10,941,966	50.4%	10,556,005	21,497,972	99.00%	216,435	1.01%
11,344,873	50.4%	10,890,518	22,235,391	98.76%	278,791	1.25%
11,191,649	50.8%	10,649,397	21,841,046	99.10%	198,230	0.91%
11,392,345	51.0%	10,812,315	22,204,660	99.37%	141,705	0.64%
17,026,255	52.3%	15,446,446	32,472,701	99.75%	81,595	0.25%
17,036,841	51.1%	16,182,091	33,218,933	99.72%	94,146	0.28%
19,099,575	52.2%	-	19,099,575	52.23%	82,647	0.43%

Independent School District #720
Shakopee Public Schools
Outstanding Debt By Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Governmental Activities			Total Primary Government	Estimated Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases Payable			
2009	\$ 166,945,000	\$ -	\$ -	\$ 166,945,000	40,731	\$ 4,099
2010	149,610,000	-	-	149,610,000	41,423	3,612
2011	143,855,000	-	-	143,855,000	42,411	3,392
2012	176,155,000	-	-	176,155,000	44,290	3,977
2013	206,755,000	-	-	206,755,000	44,711	4,624
2014	157,650,000	13,175,000	-	170,825,000	44,941	3,801
2015	107,220,000	12,565,000	-	119,785,000	46,376	2,583
2016	210,545,000	12,040,000	905,731	223,490,731	47,110	4,744
2017	199,410,000	11,495,000	3,504,424	214,409,424	47,569	4,507
2018	169,630,000	10,930,000	2,720,782	183,280,782	47,569	3,853

Notes:

- (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.
- (2) Personal income information for residents living within the District is not available

Independent School District #720
Shakopee Public Schools
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Obligation Bonds	Less Amounts Available In Debt Service fund	Net Bonded Debt	Total Assessed Value	Percentage of Est Actual Value of Taxable Property	Estimated Population	Net Bonded Debt Per Capita
2009	\$ 166,945,000	\$ 1,037,007	\$ 165,907,993	\$ 4,413,568,900	3.76%	40,731	4,073
2010	149,610,000	1,657,106	147,952,894	4,229,188,900	3.50%	41,423	3,572
2011	143,855,000	2,185,834	141,669,166	4,079,826,500	3.47%	42,411	3,340
2012	176,155,000	2,309,255	173,845,745	3,845,729,900	4.52%	44,290	3,925
2013	206,755,000	2,903,984	203,851,016	3,536,373,800	5.76%	44,711	4,559
2014	157,650,000	2,981,462	154,668,538	3,686,131,300	4.20%	44,941	3,442
2015	107,220,000	2,937,288	104,282,712	4,149,968,800	2.51%	46,376	2,249
2016	210,545,000	20,079,253	190,465,747	4,373,153,300	4.77%	47,110	4,043
2017	199,410,000	20,670,744	178,739,256	4,572,534,200	4.29%	47,569	3,757
2018	169,630,000	2,988,464	166,641,536	4,857,543,700	3.43%	47,569	3,503

Notes:

(1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

Independent School District #720
Shakopee Public Schools
Computation of Direct and Overlapping Bonded Debt
(Unaudited)

	2017/18 Adjusted Taxable Net Tax Capacity	12/31/2017 Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping				
Scott County	\$ 186,705,411	\$ 52,465	30.99%	\$ 16,261
Cities/Townships				
Shakopee	51,566,784	41,935,000	95.29%	39,959,337
Savage	36,346,078	59,958,395	7.01%	4,201,340
Prior Lake	35,894,896	36,960,000	2.95%	1,089,154
Sand Creek	2,848,448	370,000	10.93%	40,452
Special Taxing Districts				
Prior Lake/Spring Lake Watershed	41,975,527	665,000	6.49%	43,138
Scott County WMO	91,634,793	-	20.15%	-
Scott County CDA	186,705,411	51,185,000	30.99%	15,864,062
Total Overlapping				<u>61,213,744</u>
Direct				
Shakopee Public Schools ISD No. 720	57,032,951	169,630,000	100.00%	<u>169,630,000</u>
Total Direct and Overlapping Bonded Debt				<u><u>\$230,843,744</u></u>

Sources: Taxable value data used to estimate applicable percentages and Debt outstanding data provided by Scott County Taxpayer Services Department

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the district. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the district. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Independent School District #720
Shakopee Public Schools
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Net Bonded Debt (1)	Net Tax Capacity (1)	% of Net Debt to Net Tax Capacity	% of Bonded Debt to Market Value	Estimated Population (1)	Net Debt per Capita	Indicated Market Value (2)	Legal Debt Limit (3)	Legal Debt Margin (4)	Percent Bonded Debt to Debt Limit
2009	\$ 166,945,000	\$ 64,756,703	257.80%	3.78%	40,731	\$ 4,099	\$ 4,631,237,041	\$ 694,685,556	\$ 527,740,556	24.03%
2010	149,610,000	58,859,056	254.18%	3.54%	41,423	3,612	4,233,422,322	635,013,348	485,403,348	23.56%
2011	143,855,000	45,905,010	313.38%	3.53%	42,411	3,392	4,019,533,498	602,930,025	459,075,025	23.86%
2012	176,155,000	42,339,285	416.06%	4.58%	44,290	3,977	3,822,793,141	573,418,971	397,263,971	30.72%
2013	206,755,000	44,173,949	468.05%	5.85%	44,711	4,624	3,691,413,152	553,711,973	346,956,973	37.34%
2014	157,650,000	48,960,266	322.00%	4.28%	44,941	3,508	3,896,544,715	584,481,707	426,831,707	26.97%
2015	107,220,000	51,591,841	207.82%	2.58%	46,376	2,312	4,304,946,888	645,742,033	538,522,033	16.60%
2016	210,545,000	54,930,192	383.30%	4.81%	47,110	4,469	4,692,224,571	703,833,686	493,288,686	29.91%
2017	199,410,000	53,882,262	370.08%	4.36%	47,569	4,192	4,765,538,510	714,830,776	515,420,776	27.90%
2018	169,630,000	57,032,951	297.42%	3.49%	47,569	3,566	5,059,941,354	758,991,203	589,361,203	22.35%

Notes:

- (1) Net Bonded Debt, Net Tax Capacity and Estimated Population data is taken from other schedules within this
- (2) The Indicated Market Value is calculated by dividing the taxable market value by the sales ratio.
- (3) The legal debt limit for a school district in Minnesota is 15% of the indicated market value of all taxable
- (4) The legal debt margin is calculated by subtracting outstanding net bonded debt from the legal debt limit.

Independent School District #720
Shakopee Public Schools
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population (1)	Personal Income <i>(thousands of dollars)</i> (2)	Per Capita Personal Income (2)	Enrollment (3)	Scott Co. Unemployment Rate (4)
2009	40,731	-	-	6,384	7.6%
2010	41,423	-	-	6,686	6.7%
2011	42,411	-	-	7,055	6.0%
2012	44,290	-	-	7,297	5.1%
2013	44,711	-	-	7,405	4.7%
2014	44,941	-	-	7,593	3.7%
2015	46,376	-	-	7,791	3.2%
2016	47,110	-	-	8,012	3.4%
2017	47,569	-	-	8,153	3.2%
2018	47,569	-	-	8,265	3.0%

Sources:

- (1) Scott County Levy Documentation
- (2) Personal income information for residents living within the District is not available
- (3) MN Department of Education
- (4) MN Employment and Economic Development. The June rate is used.

Independent School District #720
Shakopee Public Schools
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

Employer	Product/Service	2018		2009	
		Employees	Rank	Employees	Rank
Shakopee Mdewakanton Sioux Community	Entertainment	4,200	1	-	-
Seagate Technology LLC	Computer equipment manufacturing	1,800	2	1,227	2
Valleyfair	Entertainment park	1,600	3	1,600	1
ISD 720, Shakopee Public Schools	Public education	1,100	4	787	6
Imagine! Print Solutions	Commercial printing	850	5	517	8
St. Francis Regional Medical Center	Health care	800	6	833	5
Scott County	County government	750	7	724	7
Canterbury Park	Horse racing	600	8	859	4
City of Shakopee	City government	590	9	350	9
Fabcon, Inc.	Cement and concrete products	400	10	-	-
Te Connectivity	Cable management systems	400	11	-	-
Northstar Auto Auction	Motor vehicle sales	350	12	301	10
ADC Telecommunication	Wired telecommunications carrier	-	-	876	3
		<u>13,440</u>		<u>8,074</u>	

Source: Information provided by City and County Comprehensive Annual Financial Reports

Note: Total employment for the area served by Shakopee Public Schools is not available and, therefore, a percentage of total

Independent School District #720
Shakopee Public Schools
Full-time-Equivalent District Licensed Employees by Type
Last Ten Fiscal Years
(Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative Staff										
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principals	8.0	8.0	8.0	7.0	9.0	10.0	12.0	11.0	15.0	14.6
Administrative Assistants (Asst. Principals and Asst. Superintendent)	3.0	4.0	3.0	4.0	5.0	9.0	12.0	13.8	10.0	10.0
Supervisory Coordinator	1.0	1.0	1.0	1.0	0.0	2.0	4.0	4.0	3.0	3.8
Total Administrative Staff	13.0	14.0	13.0	13.0	15.0	22.0	29.0	29.8	29.0	29.4
Support Service Staff										
Other Non-Instructional Staff	12.2	12.5	19.79	41.0	40.7	21.9	48.4	43.9	46.4	62.3
Counselors/Deans	5.0	4.0	3.0	3.0	5.0	6.0	7.0	11.0	11.0	9.0
Media/Librarian	8.0	8.0	7.0	7.0	8.0	8.0	8.0	10.0	9.0	5.0
Nurse	3.0	3.0	3.0	3.0	4.7	5.0	5.6	6.3	4.8	5.8
Social Worker	8.0	8.0	6.0	6.0	6.0	9.0	10.0	9.8	12.0	11.7
Psychologists	5.0	6.0	6.0	4.8	6.8	7.0	7.0	7.0	8.0	8.0
Teacher on Sp Assignment	5.5	5.5	21.8	23.3	28.6	6.4	19.0	14.5	19.5	20.1
Total Support Service Staff	46.7	47.0	66.6	88.2	99.8	63.3	105.0	102.6	110.6	121.9
Special Education Teachers										
Speech Language	18.3	18.8	17.8	17.4	19.7	20.8	18.8	20.8	20.8	20.1
Other Special Education Teachers	77.1	75.3	70.3	68.8	71.4	79.6	79.4	94.9	86.4	85.4
Total Special Education Teachers	95.4	94.1	88.1	86.2	91.1	100.5	98.2	115.7	107.2	105.6
Classroom Teachers										
K-12 Teacher	329.6	343.52	330.17	328.2	347.4	397.1	394.7	426.3	414.8	394.1
Vocational Education Teacher	3.9	7.2	5.4	5.8	6.2	6.0	6.1	4.9	5.5	4.8
Pre-K, ECFE, and Other Teacher	10.9	9.1	9.2	10.5	10.4	9.0	8.8	11.2	8.9	9.0
Total Classroom Teachers	344.5	359.88	344.8	344.5	364.0	412.1	409.7	442.4	429.2	407.9
Total	499.5	514.99	512.4	531.9	570.0	597.9	641.9	690.4	676.0	664.8

Source: Minnesota Department of Education STARS data and District records for Licensed Staff.

Independent School District #720
Shakopee Public Schools
Operating Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Total Governmental Fund Expenditures</u>	<u>Cost per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil– Teacher Ratio</u>
2009	6,384	\$83,892,154	\$ 13,140	5.38%	439.9	14.5
2010	6,686	78,935,297	11,805	-10.16%	454.0	14.7
2011	7,055	90,361,771	12,809	8.50%	432.9	16.3
2012	7,297	87,531,173	11,995	-6.35%	430.7	16.9
2013	7,405	95,351,041	12,876	7.34%	455.2	16.3
2014	7,593	144,443,989	19,024	47.75%	512.6	14.8
2015	7,791	169,925,454	21,809	14.64%	507.9	15.3
2016	8,012	124,180,742	15,499	-28.93%	558.0	14.4
2017	8,153	171,993,294	21,095	36.11%	536.4	15.2
2018	8,265	182,543,790	22,086	4.70%	513.4	16.1

Source: District records and teaching staff numbers from the Minnesota Department of Education STARS data.

Independent School District #720
Shakopee Public Schools
School Building Information
Last Ten Fiscal Years
(Unaudited)

School	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary										
Sweeney Elementary										
Square feet	84,171	84,171	84,171	84,171	84,171	84,171	94,914	94,914	94,914	94,914
Building Capacity	672	672	672	672	672	672	672	672	672	672
Program Capacity	672	672	672	672	672	672	672	672	672	672
Enrollment (1)	629	643	675	708	712	707	683	652	640	655
Sun Path Elementary										
Square feet	96,600	96,600	96,600	96,600	96,600	96,600	106,455	106,455	106,455	106,455
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	560	680	733	770	768	745	728	730	675	654
Pearson Elementary										
Square feet	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235	87,235
Building Capacity	586	586	586	586	586	586	586	586	586	586
Program Capacity	586	586	586	586	586	586	586	586	586	586
Enrollment (1)	618	592	588	- (2)	577	582	624	659	680	644
Red Oak Elementary										
Square feet	97,000	97,000	97,000	97,000	97,000	97,000	106,818	106,818	106,818	106,818
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	710	782	753	812	731	715	717	689	644	610
Eagle Creek Elementary										
Square feet	100,185	100,185	100,185	100,185	100,185	100,185	110,088	110,088	110,088	110,088
Building Capacity	764	764	764	764	764	764	764	764	764	764
Program Capacity	764	764	764	764	764	764	764	764	764	764
Enrollment (1)	706	765	839	670	720	771	810	847	839	817
Jackson Elementary										
Square feet	-	-	-	109,068	109,068	109,068	109,068	109,068	109,068	109,068
Building Capacity	-	-	-	764	764	764	764	764	764	764
Program Capacity	-	-	-	764	764	764	764	764	764	764
Enrollment (1)	-	-	-	698	759	806	835	852	868	864
Middle										
East Junior High										
Square feet	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917	164,917
Building Capacity	985	985	985	985	985	985	985	985	985	985
Program Capacity	985	985	985	985	985	985	985	985	985	985
Enrollment (1)	895	912	1,059	1,143	726	806	798	841	851	883
West Junior High										
Square feet	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941	207,941
Building Capacity	896	896	896	896	896	896	896	896	896	896
Program Capacity	896	896	896	896	896	896	896	896	896	896
Enrollment (1)	982	933	981	975	925	976	968	978	1,065	1,144

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
High School (3)										
Shakopee High School										
Square feet	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000	322,000
Building Capacity	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Program Capacity	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Enrollment (1)	1,208	1,313	1,361	1,451	1,381	1,379	1,494	1,611	1,719	1,728
Other										
Tokata Learning Center - ALC										
Square feet	-	-	-	-	12,351	12,351	12,351	12,351	12,351	12,351
Enrollment (1)	-	-	-	-	56	43	74	85	91	184
Central Family Center										
Square feet	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197	64,197
Enrollment (1)	76	67	66	69	50	63	66	68	82	82
Total										
Square feet	1,224,246	1,224,246	1,224,246	1,333,314	1,345,665	1,345,665	1,385,984	1,385,984	1,385,984	1,385,984
Building Capacity	7,043	7,043	7,043	7,807	7,807	7,807	7,807	7,807	7,807	7,807
Program Capacity	7,043	7,043	7,043	7,807	7,807	7,807	7,807	7,807	7,807	7,807
Enrollment	6,384	6,686	7,055	7,297	7,405	7,593	7,796	8,012	8,153	8,265
Athletics										
Football fields	1	1	1	1	1	1	1	1	1	1
Running tracks	1	1	1	1	1	1	1	1	1	1
Baseball/softball	22	22	22	23	23	23	23	23	23	23
Tennis courts	14	14	14	14	14	14	14	14	14	14
Multi-purpose fields (lacrosse, soccer)	11	11	11	11	11	11	11	11	11	11
Multi-purpose gyms	12	12	12	13	13	13	13	13	13	13
Swimming pools	2	2	2	2	2	2	2	2	2	2
Playgrounds	7	7	7	8	8	8	8	8	8	8

Notes:

- (1) Enrollment reflects average daily membership served by site. Resident students served under tuition agreements are excluded from this enrollment data.
- (2) In fiscal year 2012, Pearson Elementary was closed as the school was remodeled and transitioned into a sixth grade center.
- (3) HS Expansion not included in FY 2018 as district did not take full possession of new spaces until Fall of 2018.